# DOING BUSINESS IN THE PERSIAN GULF REGION

## HEARING

BEFORE THE

SUBCOMMITTEE ON EXPORTS, TAX POLICY, AND SPECIAL PROBLEMS

OF THE

## COMMITTEE ON SMALL BUSINESS
## HOUSE OF REPRESENTATIVES

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

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WASHINGTON, DC, APRIL 12, 1991

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Printed for the use of the Committee on Small Business

**Serial No. 102-12**

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-035320-3

H721-36

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# DOING BUSINESS IN THE PERSIAN GULF REGION

FRIDAY, APRIL 12, 1991

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EXPORTS, TAX POLICY,
AND SPECIAL PROBLEMS,
COMMITTEE ON SMALL BUSINESS,
*Washington, DC.*

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 2359-A, Rayburn House Office Building, Hon. Norman Sisisky (chairman of the subcommittee) presiding.

Chairman SISISKY. Good morning. As chairman of the House Small Business Subcommittee on Exports, Tax Policy, and Special Problems, I have called this hearing to explore some of the issues facing American companies who do business in the Persian Gulf.

This hearing really was called because I believe it is essential to provide information about doing business in the Gulf region to small business exporters, especially those interested in exporting to the Gulf for the first time.

Hopefully, this information will steer some businesses toward promising business opportunities and help them steer clear of problems that might be avoided.

As most of you know, since the end of the Gulf War there has been a tremendous amount of interest among U.S. small businesses in doing business in the Persian Gulf, and particularly in Kuwait. For this reason, I held a hearing last month to examine the role of U.S. small business in rebuilding Kuwait.

I am extremely pleased that the reconstruction of Kuwait has awakened American small businesses to the possibility of exporting. I believe that a key step in bettering our country's competitive position is to get small businesses involved in overseas markets. One valuable tool in this effort is simply providing information, so that small businesses can make informed business decisions. I hope that today's hearing makes a valuable contribution to that goal.

We will be listening closely to our witnesses' discussion of the opportunities and rewards of doing business in the Gulf, as well as the difficulties and the pitfalls. The premise of this hearing is that there are opportunities for Americans, not only in Kuwait in the aftermath of the Gulf War, but also in the other Gulf States. However, I suspect that some of our witnesses will also tell us that the Gulf region is a difficult place for Americans to do business, especially for small businesses new to exporting.

Because of the importance of information about how business is done in the Persian Gulf, I am especially excited about the witnesses we have today. The best sources of this kind of information are going to be the Americans already familiar with the area, U.S. businesses and U.S. Government agencies.

I am very pleased that David Jensen, who heads the Commerce Department's Gulf Reconstruction Center, has agreed to testify at our hearing on very, very short notice, and I do thank you, Mr. Jensen.

I am also pleased to have with us distinguished guests from the American Business Council of the Gulf Countries, an association of business men and women who do business in the Gulf States and who have, I understand, lived through the Gulf War. In addition to discussing some of the issues they consider important for improving the competitiveness of U.S. businesses in the area, I hope that these witnesses will also share with us some of their experiences in doing business over the years in the Gulf. I expect that the rookies can learn a thing or two from the veterans in this region.

I am eager to hear from our first witness, but let me first ask any of my colleagues if they have any statements that they wish to make.

Mr. Allard.

Mr. ALLARD. Thank you, Mr. Chairman.

I would like to thank you for calling this timely subcommittee hearing today to explore the current business climate in the Persian Gulf region for small business owners. Like all Members of Congress, I have received numerous requests from businesses in my district hoping to participate in the rebuilding of countries damaged in the Persian Gulf War.

I believe today's hearing will be another important step to receive critical information on what needs and problems currently exist for small businesses.

This is certainly a unique time in our country's history. The United States has reasserted itself as the world's leader, defeating Iraqi aggression. We must now assert ourselves as the greatest economic power in the world. It is essential that we not miss this chance to export our greatest national assets—American entrepreneurial spirit. If we do not respond immediately, the Japanese and European communities certainly will.

It is important for Americans to realize the amount of business that is available in the Gulf region. Kuwait will spend an estimated $100 billion and 5 years of work to repair virtually every one of their public buildings within Kuwait alone. This does not include the other countries in the region decimated from the war.

They will also be looking for American hands and expertise to rebuild.

The United States does have a successful track record on exporting to this region. In 1990 the United States exported $6.4 billion worth of nonmilitary goods and services to this region. I understand we will hear from individual businessmen who have had the experience of operating in the Persian Gulf region for many years. Many of these individuals were brave enough to stay behind during the Gulf War and assist our troops. We have been told of the kindness and support that these business men and women displayed

during these difficult times. I believe they are all to be commended for their action.

I believe that we can also learn many valuable lessons from these business men and women who have already established a presence in this area. These individuals have first-hand knowledge of the difficulties faced when doing business in the Gulf, but there are important trade and tax issues that have hampered other U.S. businessmen from competing successfully in the Persian Gulf marketplace.

I look forward to the discussion today of some of these problems and also look forward to working with Chairman Sisisky to correct some of these difficulties.

[Mr. Allard's statement may be found in the appendix.]

Chairman SISISKY. I would ask unanimous consent that a statement of the Honorable Andy Ireland be placed into the record at this time. Without objection, so ordered. It will be placed.

[Mr. Ireland's statement may be found in the appendix.]

Chairman SISISKY. Before I ask you to speak, Mr. Jensen, let me just take this opportunity to thank the staff of the subcommittee. Believe it or not, they put this hearing together in 1½ days. Since the members of the American Business Council are going back to the Gulf this weekend, we had to move quickly if we wanted to hear from them and get information that we might need. So, I want to thank my staff and all those who had a hand in putting this hearing together.

Now, with that, Mr. Jensen, you can proceed as you wish.

## TESTIMONY OF DAVID JENSEN, DEPUTY ASSISTANT SECRETARY OF COMMERCE FOR AFRICA, THE NEAR EAST, AND SOUTH ASIA

Mr. JENSEN. Thank you, Mr. Chairman.

Thank you for your remarks. We are glad to have this opportunity to appear before the committee and talk about the importance, as you called it, of getting small businesses in this country involved in exporting generally and in opportunities in the Gulf in particular.

As you say, this was all put together on short notice. I don't have formal testimony to read, and with your permission, I will just engage in a bit of stream of consciousness about the Gulf with apologies in advance if it seems a bit disorganized.

With me today is my colleague, Karl Reiner, who is the Director of the Office of the Near East at the Department of Commerce and is involved day to day in supervising the Gulf Reconstruction Center that we have set up, as you know.

He talks daily literally to dozens, sometimes more than dozens of American businesses who are eager to do business in the Gulf and has a first-hand knowledge about the kind of problems that they encounter and the sort of questions that they ask, and, hopefully, we can impart some of that to the committee. You, in turn, can help us spread the word to the American business community.

There was a startling front page headline 4 weeks ago in the Los Angeles times. I won't forget it very soon. It read, "Gold Rush on for billions in Gulf."

Well, this committee knows, and the American Business Council of the Gulf Countries knows, and certainly the Department of Commerce knows that there never was a gold rush on in the Gulf, nor is there likely to be one in the near future.

Instead, I think what we are going to see is a much more gradual, much more deliberate program of reconstruction beginning with an emergency relief phase that has already been embarked upon. We are about 7 weeks into that phase. It is expected to last about 90 days. That will be over around the end of next month. So far, the Kuwaitis have gone out and purchased about $500 million worth of goods.

By dollar value, 66 percent of those contracts have gone to American companies, which we think is a terrific percentage and not a bad start.

In terms of other contracting, though, not a whole lot is going on. Money is being spent in the oil sector, to be sure, because of the enormous problem of quenching those some 600 oil well fires, which are an enormous economic and environmental disaster.

Money has been spent in a relatively small degree with the Corps of Engineers. They were given an initial contract for $46 million. That has since been expanded to $100 million. That has largely been subcontracted out. Other than that, there is not a lot of contracting going on from the Kuwaiti Government.

They are very much in a period where they are trying to provide for the emergency relief of the citizens in Kuwait City. They have gone in there with huge supplies of food, water, medicine, electrical and communications equipment for the relief of their population. They are about to embark upon a 3- or 6-month or thereabouts phase for the damage assessment and design of what reconstruction is going to look like, so I don't expect contracts to be offered in any substantial degree for reconstruction until very much later this year.

Then there will follow a reconstruction program of 2 to 5 and some have even said 10 years, but this is a very long-term program. Perhaps because the military part of the crisis was conducted so swiftly and successfully, there may have been an expectation that reconstruction would happen just as fast. We live in a much more complicated world than that.

You will remember that, in the early days, the numbers everybody was throwing around with some abandon were that the reconstruction price tag was going to be $50 to $100 billion. It now looks like those numbers were too high. Those were speculative. They came essentially from the Kuwaitis and the Corps of Engineers. It now looks, after a degree of damage assessment, that the actual numbers are going to be lower than that, but it is still anybody's guess what the numbers will actually be.

The typical range you hear now is $30–$60 billion. It could be higher than that. It could be less. The Corps has approximately 120 damage assessment personnel in Kuwait city right now, and they are trying to put together a picture of how bad this is.

I expect it will be weeks yet before we have a handle on the ultimate price tag.

Let me tell you a little bit about what is happening at the Department of Commerce, too, to prepare for this project, and ad-

vance the cause of American business to the extent we can today, and to prepare to be able to advance it more determinedly in the days to come.

In a way, this will be an update on the testimony that our Assistant Secretary, Dr. Thomas Duesterberg gave to you several weeks ago when he outlined before this committee, in the very early days of reconstruction, what we were trying to do.

The Trade Promotion Coordinating Committee, the large multi-agency umbrella group that President Bush inaugurated about 18 months ago and which Secretary Mosbacher chairs, has been convened as promised and has met every 10 days or so. We have succeeded in opening terrific lines of communication among the Federal agencies.

They are cooperating extremely well. There is a very good exchange of information. We are faxing daily situation reports from the Corps of Engineers to every member of that committee. Every Federal agency interested in promoting trade abroad is receiving daily updates on what is going on. It is in the context of the TPCC that we are planning seminars for around the country and trade missions to the region as soon as this is appropriate.

We, at Commerce, are continuing to explore with the State Department the possibility of reinvigorating the United States-Gulf Cooperation Council dialogue, which was laid aside, as you will remember, in the hope of broader progress in the Uruguay Round.

We think the time is right now for progress on a host of issues and for improvement across the board in the commercial picture for doing business in the Gulf. For example, the Arab boycott of Israel should be discarded, and we think there should be better intellectual property right protections.

We would like to see investment bans in the region dropped or modified. We would like to see an easing of visa and other formal requirements, a standardization of customs regimes. We think the climate is right for this, and that we can make a lot of progress in those areas.

It is still at a very early stage. We are just talking about talks at this point, but they do hold quite a bit of promise. Department of Commerce officials meet weekly with the top officers of the Kuwaiti Emergency and Recovery Program office here in town. We also meet weekly with the leadership of the Kuwaiti Embassy.

These meetings have given us wonderful lines of information and access with those two bodies. We also meet every fortnight with the U.S.-Arab Chamber of Commerce, which has organized a large private sector coalition interested in Gulf reconstruction. They are able to conduct outreach efforts to a very large number of people.

Here is an update on the Gulf reconstruction center. It was opened, as you know, on the 4th of March. It is now in its seventh week of operation.

The phone company tells us that we are running about 10,000 to 14,000 calls a day. To put that in perspective, when Eastern Europe slipped away from the Soviet grasp and the American business community perceived an enormous business opportunity there, we had, at the height of the Eastern European Business Center, about 800 phone calls on a busy day.

Today, on a busy day, Mr. Reiner and his associates receive 14,000 calls; 80 percent of those are still job-seekers, and we are counseling them on what they can do to improve job prospects. We are also referring them to the Department of Labor for further counseling by their international labor specialists.

But here is the good news: We are talking to 600 to 1,000 businesses every day. From the point of view from the Commerce Department and the long-term impact on America's export posture, this is big news and is awfully exciting. In fact, most of these people are small business people. They are infrequent exporters or people who have never exported anything in their business lives, and they are thinking about exporting for the very first time, and they are calling the Department of Commerce for guidance.

That is something to get excited about. Years from now, whether or not they ever conduct a sale in Kuwait or in the Persian Gulf, we hope we will have made a large percentage of those businesses into American exporters.

We are certainly going to do our best to try and stream them into our general trade promotion programs. Meanwhile, we are counseling them on the job opportunities available in Kuwait. The kind of questions they ask us range from the concerns of people who are complete beginners to very sophisticated and specific inquiries.

Generally, we are taking names and addresses from them for our data base. We are sending them our standard briefing materials. I know this committee has received those, too. We are counseling patience. There are two things we have told every single person we talked to, whether it is a business, or business group, or groups of congressional staffers.

We tell everybody the same two things, and that is, we counsel patience. We counsel them that this is not a gold rush. It is not going to happen quickly. It is going to be difficult, and they are going to have to be vigilant.

The second thing we tell everybody is that the much vaunted Kuwaiti promise of favoritism for American contractors and suppliers is genuine; that is a very sincere sentiment, but what it means in the context of an individual commercial transaction is by no means clear, and no one should bank on that good feeling, although the good feeling is, as I say, genuine.

We are telling people that they are going to sell in the Gulf the way they would sell anywhere else in the world, because their quality is tops and their prices are world beaters, because they have goods that are deliverable and serviceable, and the things that have made a business a success in the past are going to continue to make them business successes in the future in the Gulf. So, we are urging people not to let their guard down and not to assume that merely by getting through the Gulf Reconstruction Center there is a whole bunch of golden contracts that can be handed out.

In the standard packet that we are mailing to everybody, they get our basic briefing information, and they get information from the Small Business Administration on applying to the Procurement Automated Source System or PASS, which I know SBA talked about at the hearing last month.

We are encouraging people to get into SBA's data base and become part of SBA's promotional programs. They will be coded there, particularly for business in the Gulf.

We are sending them subscription information for "Business America" and fliers on subscribing to the National Trade Data Bank system. We are urging them to subscribe also to "Commercial News USA" special edition of September, which is going to be targeted to the Gulf countries, instead of around the world as it normally is.

We plan to put out about 20,000 to 30,000 copies of "Commercial News USA" throughout the Gulf. This publication is an opportunity for small businesses to sell without ever leaving these shores, without having to worry about foreign contacts and foreign access.

It is a comprehensive catalog, and for a few hundred dollars, businesses can advertise their product and have it laid literally on the door step of thousands of companies and business people throughout the region.

As far as Foreign Commercial Service staffing abroad goes, our commercial officer, Bob Conan, is on duty, has been on duty at the embassy in Kuwait City since the 25th of March. He has been supplemented just in the last few days by Tom Rosengren.

We have a third and a fourth temporary duty officer ready in the region, and, as soon as Ambassador Gnehm says the living conditions are safe and hospitable enough to bring more people, we will literally send him as many commercial experts as he can make use of. We have beefed up the FCS offices in the three principal Saudi cities of Jiddah, Riyadh, and Dhahran with additional temporary duty personnel. One thing that we hope to have back on line very quickly, because it will be an important assist to American businesses, especially those who are unpracticed in doing business in the Gulf, will be what we call our Agent and Distributor Service or ADS.

The way this works is an American business that wants to sell a specific product can call the FCS district office and say they want to be assisted by the Agent Distributor Service. There are some 50 of these in cities around the country. We will then find agents and distributors for that person for a small fee in the city of Kuwait and in the country.

This also works in the other countries and cities in the Gulf, where we can find agents who can take on that product and sell it for that small businessperson in the Gulf region. That is something that requires some staffing, and as soon as our commercial operation is up to a better speed in Kuwait City, we will be able to provide that service, and it will be very helpful assistance to American business people.

Despite the difficult conditions in Kuwait City that our personnel are working under, we have begun to receive a trickle of reporting from them about specific commercial opportunities in the country. Those are coming in. Here is what happens when a cable outlining a specific opportunity reaches the Department of Commerce, either from an embassy there or from the Corps of Engineers damage assessment people.

It is initially sent electronically to all of the American district offices of the United States and Foreign Commercial Service.

Second, the trade development unit of the International Trade Administration has established a cable tracking system to keep track of specific items. It is logged in and assigned to an appropriate TD sector.

It is then communicated directly to firms and industry associates by our 350 industry specialists in trade development. Twice a week, a summary of those cables circulates throughout the department. The Minority Business Development Agency at Commerce is updated daily on these opportunities. They distribute them through electronic mail to their 107 Minority Business Development Centers around the country.

The data base of the Gulf Reconstruction Center is sifted through to see if we can find a match for those specific opportunities among the American companies we have heard from, and copies of those cables are faxed every few days, as we have a group of them, to the Small Business Administration for the purpose of searching their data base and also to our friends in the U.S.-Arab Chamber of Commerce, who get the word out as well.

So far, we have only put between 12 and 20 cables and opportunities through this process because the reporting has been slight to begin with, but we regard this as very much a test period for the substantial flow of commercial opportunities we expect to be receiving. We will put them all through that same framework to get the word out to American business.

As far as events, we are counseling people that it is not quite time to go to Kuwait. It is very hard to do unless you have a lot of contacts there or have done business before and have relationships with the Government or with other business people. We don't like to tell people not to try, however, because there are some people who are getting through.

It is very difficult though. It is difficult to travel in Saudi Arabia, which is the transit point. It is hard to get to the border. To get a visa is very difficult, but people are getting them.

We are counseling people to be very careful to get at least a double entry Saudi visa because they have to have a visa to go to Saudi Arabia in the first place on their way to Kuwait. When they leave Kuwait and come back to Saudi Arabia, they need a second visa to reenter Saudi Arabia.

Businesses are getting through. They are making arrangements and some contracts in Kuwait, but it is very hard to do unless you are very practiced in the region and have some resources and contacts there. Our hope is that Commerce will be able to lead trade missions to the region soon, and we are thinking in the context of mid-summer.

That is when we are told by the post that they will first be able to receive and provide hospitality for missions of any size. Until then, we are urging businesses to consider that Kuwait is not the only country in the Gulf where business can be done.

Indeed, there are many countries in the Gulf. There is a very strong pro-American sentiment in the other Gulf countries, and they are, frankly, hungry for American businesses. We are hearing from governments of other Gulf countries every day, and business people from other Gulf countries who are saying, please send business to us. Please send them to Abu Dhabi, to Dubai, to Bahrain,

and to Saudi Arabia. They want to do business with Americans, and the business climate is really quite congenial in the Gulf.

One event that we are referring people to, and actually it just happens by the luck of the draw to have been the first substantial event after the crisis that has an American focus, is the Dubai show called, "Made in the USA" from May 13–17. It is a very large exhibition open only to American products and is going to be a tremendous opportunity for exporters who have the wherewithal to travel abroad and feel comfortable exhibiting in a large show like that.

This is going to be a great opportunity for them to show their goods, and so we are trying to support that event. We have put out hundreds of calls to American business and business associations to alert them to the opportunity in the Gulf generally and starting with Dubai in particular.

There are other trade shows scheduled for the coming months throughout the Gulf. I have a card here that lists them. I have about seven or eight of them. I will leave these with the committee. They are for everything from air-conditioning equipment to oil sector services and specific consumer goods.

We think that in terms of what can be done now in Kuwait City, there is a tremendous need for medical equipment and medical supplies, for consumer goods generally, the country having been virtually stripped of anything of any commercial merit or utility. They need to restock the country, and so consumer goods are going to be good sellers early on.

I would say there would be a lot of opportunities, as soon as the country is more stable and open to American trade missions, for a mission in the construction and engineering field. Also, automotive parts and automobiles are very much in need, so, these are two areas that suggest themselves for early efforts, which we see coming in the next few months.

Food is also something that the country needs badly. Kuwait imports virtually all of its food. Less than 1 percent of its land is arable, and irrigation is used very sparsely, so they need, in the best of times, to import virtually everything in the food category and that is certainly true now.

Other opportunity sectors that we are alerting people to are electrical power generation, oil field equipment and services, telecommunications, computer hardware and software. The Government ministries are just literally stripped bear. There is nothing in them, no desks, no chairs, no computer programs, no files. They are empty buildings, most of them damaged to some degree. There is also a need for security systems, fire-fighting gear, medical equipment, and food and consumer products.

Travel to Kuwait by air is virtually impossible at this point. The airport is closed to all traffic except military and official Government travel. We expect that to change fairly soon. The Kuwaitis are trying very hard to reopen the airport. The runways are in reasonably good shape. They are trying to get air traffic control equipment in so they can open the airport.

We hear from a lot of businesses who ask if they will need an agent in Kuwait, or a joint venture partner, or somebody to work with them. Our best guess is yes; but it is by no means settled yet.

It is still under discussion. The Government in Kuwait is reconstituting itself, as you know. Before the crisis, that was the way you did business. You had to have a Kuwaiti partner. That partner usually had a majority share. It doesn't mean the profits are divided in the same proportion, but it does mean they had a 51-percent share of most of the operations.

As far as how people will find a joint venture partner, I mentioned before the Agent and Distributor Service in the Department of Commerce, that is a very good way for people to start. That service should be available through our embassy in Kuwait City very shortly.

I have before me a document which is in draft form, and I hope we will be able to bring this to final form today. It is a standard Q and A, outlining the questions business people frequently ask Karl and our associates at the Gulf Reconstruction Center. We basically sat down and hashed out the list of 20 or so questions we are asked all the time in business counseling and drafted answers to those. We want to circulate this quite widely. I assume the committee would be very interested in that. With your permission, I would like to send that up to you today or Monday. That perhaps could be made part of the hearing record.

Chairman SISISKY. Yes; without objection, that will be made part of the record.

[The information may be found in the appendix.]

Mr. JENSEN. Thank you. I apologize again for the somewhat random appearance of my remarks today. I've been doing this just off the top of my head. I would be happy to answer any questions you or members of the committee would have.

Chairman SISISKY. Again, Mr. Jensen, with just 1½ days notice, we understand, and we very much appreciate your being here. It is very rare today for a Government official to appear on such short notice, and we do appreciate it.

Of course, you know this committee is interested in small business. Now, as far as Kuwait is concerned, the whole Congress is interested in opportunities for small business. In the supplemental defense bill, I put in a resolution that expressed the sense of Congress that the administration should do everything possible to assist U.S. small business to do business in Kuwait.

The reason I bring that up is that you talked about seminars you are organizing around the country. I would hope you would gear those seminars to small business. We have a unique opportunity here. You said it; I said it before. The unique opportunity is getting small businesses interested in exporting. If it doesn't work in Kuwait, certainly there are opportunities in the other Gulf nations, as you mentioned, as well as other countries all across the world. If we can just whet their appetite, get them interested, let them know what services are available from the Commerce Department, and what loan programs are available through the Eximbank, through the Small Business Administration, and other agencies, that would be a big step forward. The SBA's PASS system hopefully will be helpful for subcontracting, so small businesses get as much business as they can from American companies that get the large contracts.

Mr. JENSEN. You are exactly right. Those opportunities are enormous. We are hoping that we are going to be able to conduct several seminars around the country, and all our district offices of the United States and FCS are being briefed and trained on how to speak to business groups about this, so instead of my trying to travel all around the country and speaking somewhat hopelessly to as many as I can possibly reach, we will actually have 50 people doing that.

Chairman SISISKY. Mr. Allard, did you have any questions?

Mr. ALLARD. Thank you, Mr. Chairman, I do have a couple of questions. Small business is particularly sensitive to the regulatory climate, because they don't have the staff to maybe address some of those issues that come up in regulation.

Is your Department doing anything to help them work through the maze? Regulations get involved. You mentioned some of it into the international concern, going into Saudi Arabia for visas, for example, and going over to Kuwait. It seems to me you are going to have to do a lot of coordination with other departments and wondering what kind of things you are putting in line to help small business through that maze of regulation.

Mr. JENSEN. The maze does exist. The Gulf is a very difficult place for even large international corporations to do business, and for a small business, particularly one that hadn't exported a lot or at all, it can seem a bewildering maze. I can tell you that we think the time is right for improvement all across the board on changing the business culture in the Gulf, so instead of it being difficult for American businesses, it is easier for them to get in.

We would like to change the tariff regimes. We would like to change the visa rules. We would like to change the investment bans. We would like to do a host of things that will make it more congenial to do business in the Gulf. I think the time is right for that. The sense we have in talking to governments over there is that they really do want to revive the U.S.-GCC dialogue with the goal of doing that.

You will hear shortly from members of the business community who are very active in the Gulf, and they can tell you first-hand how tough it is to do business there and what we need to focus on first. We want to work with them, but you certainly put your finger on it. We need to improve that across the board.

Mr. ALLARD. Mr. Chairman, I have one other question, if I might. In that regard, you had mentioned in your testimony that there may be some delay before a small business will be able to take advantage of some of the opportunity in Kuwait. One area that I see where we can make an immediate impact would be on food and water issues.

It seems to me that now is the time for us to try and take those small businesses that are involved in the agricultural area, particularly food and potable water, until they get those systems on line. Are we doing anything there to try to speed that part along?

Mr. JENSEN. I think the Foreign Agriculture Service, at the Department of Agriculture, is pursuing that quite vigorously. They are the people who are sort of looking after the question of food shipments to the Gulf. I don't know if they are going to be here today, but my sense of what they are doing, through talking with

them at the Trade Promotion Coordinating Committee, is that they are very active, and that they do see this opportunity.

Even in the best of times, Kuwait has to import so much food. Now, they need to restock their shelves, as well as import what is being consumed week by week.

Mr. ALLARD. Are you actively working with that area in your efforts, or are they pretty much going on their own, and you are going on your own?

Mr. JENSEN. They are pretty much in charge of the food aspect of it. We are talking to each other about what we are doing, but that is mostly theirs by tradition.

Mr. ALLARD. I see. Thank you.

Mr. CAMP. Thank you, Mr. Chairman. I just have one question. You mentioned the thousands of phone calls the Department has been receiving and that 80 percent are individuals who are seeking jobs. If I understood your testimony correctly, you are referring them to the Labor Department.

Is there coordination between agencies, so that someone who is calling doesn't call another huge Federal agency?

Mr. JENSEN. We are very mindful of that because we don't want to just pass them around from agency to agency. In fact, we are counseling the people who we can talk to and telling them that the best thing they can do for the possibility of employment in the Gulf, although we warn them that this is not going to occur until sometime down the road, is to sign up with the Interstate Job Bank at any of the 2,000 or so employment offices around the country.

They are all hooked together by a Department of Labor system called the Interstate Job Bank, and individuals will be coded specifically as willing to work in the Gulf. Down the road, as American businesses get contracts and subcontracts, they can go to that job bank and call up people so coded, and to the extent that there are employment opportunities, they will be called up. The ones who have additional questions and are interested in more detailed information, we have to refer them to the international labor specialists who are far better at doing that than we are.

I don't want to sound like we are slouching on counseling job seekers because we are trying to help anybody who calls. We have mailed information packets to 18,000 job-seekers, and about 17,000 businesses.

Again, the typical business is a nonexporter, a small business, and a business that has never thought about foreign commerce before, and we have got 17,000 of them. It is terrific.

Mr. CAMP. Thank you.

Chairman SISISKY. Mr. Lancaster.

Mr. LANCASTER. Mr. Jensen, how successful has the effort to build a data base of businesses interested in doing business in the Gulf been, both through PASS and through your own effort?

Mr. JENSEN. I think it is going to be very successful. It is at a somewhat germinal stage right now because the agencies involved in reconstruction have been deluged with interest, and we are several weeks behind in entering names, addresses, business interests, and capability, and so on, but PASS is a good example.

They have 210,000 American small businesses on line, coded by what they can do and what they are interested in doing, and they are able to——

Mr. LANCASTER. Are they also coded by an interest in doing business in the Gulf or are they using the whole system and providing all of the information to them without regard to an expressed interest in doing business in the Gulf?

Mr. JENSEN. It is the latter. This is a data base that has existed and been built by SBA over the years. They are trying to take advantage of the new interest on the part of American small business in exporting to the region, and beef up their data base, and we are helping them.

In every data packet that we send out is included an SBA PASS application.

Mr. LANCASTER. How many people do you have interested in your system now, and how many do you think you will have when the backlog is caught up?

Mr. JENSEN. We have just finished writing the software yesterday, so we haven't——

Mr. LANCASTER. It would not have been entered.

Mr. JENSEN. Not at the Gulf Reconstruction Center. We will be entering those on a crash-load basis over the next 2 or 3 weeks. We expect we will have entered probably 10,000.

Mr. LANCASTER. Is there some estimate of how long, not your ordinary opportunities to do business in the Gulf, but sort of reconstruction efforts in the Gulf will go on? Is this going to be a 2-year, 3-year, 5-year—what can business expect in terms of extraordinary opportunities to do business as opposed to simply selling food that would be an ongoing opportunity that would exist forever?

Mr. JENSEN. My guess is that the next substantial wave of contracting will begin this fall and later this year, and that will be the reconstruction phase as opposed to the planning phase we are about to enter, and the emergency relief phase we are in today.

That phase, the reconstruction phase proper, I expect to go on 2 to 5 years. I have heard 10 years, but that seems high to me.

Mr. LANCASTER. You also indicated that you are working on trade missions for the region. How would businesses know that those opportunities existed, and how could they sign up and participate?

Mr. JENSEN. We will advertise them and publicize them in our usual way, through Business America, the publication of the Department of Commerce, and through our trade development sectors calling literally thousands of businesses and business associations to get the word out that these missions are leaving.

Mr. LANCASTER. Is it possible also to send a mailing to the PASS data base and to the data base that you develop?

Mr. JENSEN. I can speak for our data base. Yes; it will be possible. We hope to mail them often. I shouldn't speak for SBA because I am not sure what their capabilities are, but I assume they would be interested.

Mr. LANCASTER. Well, of course, all you would need is their tape, and then you could send it yourself. Is there any possibility of your simply using their list and doing a mailing yourself?

Mr. JENSEN. We possibly could. We would have to evaluate that at the time and see whether sending just sort of scatter shot to 210,000 small businesses would make sense at that point for a specific trade mission because they may or may not be interested in doing business in the Gulf.

Mr. LANCASTER. You might want to evaluate that data base and see if there is some way that you could narrow it down to less than 210,000 on some reasonable or rational basis.

Mr. JENSEN. If, for example, you could find a way of sorting out the companies which had actually done business abroad, you would know you had somebody who was more likely to be interested.

Mr. LANCASTER. Or construction companies?

Mr. JENSEN. Exactly.

Mr. LANCASTER. Thank you, Mr. Chairman.

Chairman SISISKY. Thank you, and thank you, Mr. Jensen. We do appreciate again your time this morning.

Before I call the next panel, I would ask if Mr. Camp has a statement for the record.

Mr. CAMP. I do, Mr. Chairman, thank you very much. I commend you for your leadership and foresight in holding this subcommittee hearing today. I think this hearing will provide us with an opportunity to learn from some experienced business leaders who have been operating in the Persian Gulf region since long before the war.

I represent mid-Michigan, a State that is suffering from a 10.7 percent unemployment rate. That is four points higher than the national average. To say the people of Michigan are interested in working in the Persian Gulf would be a gross understatement.

Let me tell you about what happened yesterday. My office received more than 600 phone calls in one day from individuals and business owners looking for job opportunities in the Gulf, and these are proud people looking for a chance to make a living, and they are willing to move far away from home to do it.

I am also hearing from small businesses who view the Persian Gulf as an opportunity to export their goods and services, not just on a temporary basis, but for the long haul. Clearly, there is an interest on the part of my constituents in Persian Gulf work opportunities.

I am hopeful that information presented here today, and I have appreciated your testimony, Mr. Jensen, will assist me in answering some of the questions my constituents have. The leaders of the Persian Gulf countries have stated they will give the United States preferential treatment in awarding reconstruction contracts. I am glad to hear that is the case.

It is my understanding that American companies have to date received about 70 percent of Kuwait's contracts for reconstruction. That is good news, particularly in the short term, but unfortunately there are problems that limit American business opportunities in the Gulf. It is my understanding that many U.S. companies will be hiring foreign workers rather than Americans because of our peculiar system of taxation.

The United States is the only industrialized Nation in the world that taxes its citizens abroad on a citizenship basis rather than on residence. This drives up the cost of doing business and makes it

far more attractive to use foreign workers. As a consequence, there are fewer Americans working abroad, which holds down U.S. export opportunities because there are fewer Americans there to buy American made goods.

I would like to hear the thoughts of our remaining panelists today on this issue which must be addressed if we are to ensure long-term international growth opportunities.

In conclusion, the people back home are looking for advice on how to get work in the Gulf. Our small businesses want to know the best way to seek your contracts. They are not afraid of competition, but they want to know the problems they may encounter and how to avoid pitfalls that have troubled others. There are people here today who have worked in the region and have much they can share with us.

I thank them for their participation today and look forward to relaying their advice to a group of eager small business people back home.

Thank you, Mr. Chairman.

[Mr. Camp's statement may be found in the appendix.]

Chairman SISISKY. Thank you very much. With that I would call those people up to the witness table. Mr. Theodore Bevec, who is chairman of the American Business Council of the Gulf Region, from East Province, Saudi Arabia; Mr. Jack Greenwald, vice chairman of the American Business Council, from Dubai, United Arab Emirates; Mr. Gilbert Tupper, former director of the Saudi Arabian Standards Organization, from Riyadh, Saudi Arabia; Ernie Alexander, attorney from Kuwait; and Howard Campbell, a businessman from East Province, Saudi Arabia.

**TESTIMONY OF THEODORE BEVEC, CHAIRMAN, AMERICAN BUSINESS COUNCIL OF THE GULF COUNTRIES [ABCGC], SAUDI ARABIA, ACCOMPANIED BY JACK GREENWALD, VICE CHAIRMAN ABCGC, ATTORNEY, DUBAI, UNITED ARAB EMIRATES, GILBERT TUPPER, FORMER DIRECTOR, UNITED STATES/SAUDI ARABIA STANDARDS PROGRAM, RIYADH, SAUDI ARABIA, ERNIE ALEXANDER, ATTORNEY, KUWAIT, AND HOWARD CAMPBELL, BUSINESSMAN, EAST PROVINCE, SAUDI ARABIA**

Mr. BEVEC. Thank you, Mr. Chairman, for the opportunity to testify this morning. On behalf of the American Business Council of the Gulf Countries—as we are commonly known, the ABCGC—my colleagues and I are delighted to be with you today to address the opportunities and challenges faced by America's small businesses in approaching the rebuilding and restocking of Kuwait. My name is Theodore Bevec. I am this year's chairman of the ABCGC, and you just introduced my colleagues here.

We will address the issues of product standards, taxes, the reconstruction of Kuwait, and the need for interim financing for restocking the private sector of Kuwait. Before I share my thoughts with you about what the war meant to us civilians in the Gulf, I would like to provide you with a quick overview of the American Business Council of the Gulf Countries.

The ABCGC, widely regarded as the voice of American business in the Gulf, is the umbrella organization of the region's Am

Chams, affiliates of the U.S. Chamber of Commerce. The ABCGC helps to represent the nearly 700 U.S. corporations and 35,000 civilian Americans who live and work in this vital region, with ABCGC member groups in Saudi Arabia, Bahrain, Oman, the United Arab Emirates, and until last fall, Kuwait.

I do not need to tell you how important this region is to the United States. The United States has demonstrated over the past 8 months that the Gulf is one region that America considers worth fighting for, and if the 8,000 to 10,000 calls on the rebuilding of Kuwait that the Commerce Department receives every day are an indication, there are a lot of Americans out there who would like to get to know the region better.

In order to land contracts in Kuwait, American companies will need to move fast once opportunities present themselves. A key to taking advantage of these opportunities will lie in the ability to secure timely, reliable information about developments in the Gulf. The member Am Chams of the ABCGC, with their extensive private and public contacts in the area, are well positioned to supply such information.

With the establishment of our new electronic bulletin board, designed to identify commercial opportunities in the region and to share information, the ABCGC is even better placed to serve as a resource to America's private and public sectors.

Timing will be important in getting a piece of the Kuwait pie, but before your constituents jump onto the next plane bound for the Gulf, let me share with you a few of our observations on the Kuwait scene.

First, things in Kuwait are quite chaotic right now. Unless you have good contacts there and know what you are doing, this is not the time to visit that war-torn nation. Aggressive businesses should be thinking about a trip to Kuwait, but in all probability, Kuwait will be in no position to officially receive those businesses until later in the year.

These American companies should instead be using their time to study the market, prepare their promotional and bidding materials, and build their networks of contacts.

Second, we say, "Watch out for the hustlers." During our week in Washington, we were told that a variety of firms are promising contracts in Kuwait. Take all such overtures with a grain of salt. No; we say throw them out with the salt. The fact is, no one is in a position to guarantee contracts in Kuwait.

Such decisions must ultimately be made by the Government of Kuwait, and we have no doubt that the Kuwaitis will carefully review the proposals of all qualified companies.

Third, if a company wants to get involved in Kuwait right now, then it should consider using the other nations of the Gulf as staging grounds and using their businessmen as partners. Large amounts of goods and services are already being passed into Kuwait via Saudi Arabia, Dubai, and Bahrain.

If an American company wants to identify reputable contacts in these nations, the ABCGC can help.

Fourth, a reasonable percentage of contracts in Kuwait will go to American firms. The total package may not be as high as 70 per-

cent, the ballpark estimate bandied about these days, but it has the potential to be billions of dollars worth of contracts.

Finally, landing contracts in Kuwait will not be a cakewalk. Once competitive bidding begins in Kuwait, American firms will face some very stiff competition from European and Asian companies.

To stay in the running in Kuwait's reconstruction, U.S. companies will need to be both competitive and innovative. As we look into the future, there are many ways in which the United States could boost its competitiveness in the Gulf.

In their meetings on Capitol Hill and with the administration this week, ABCGC members have identified three means of bolstering our Nation's trade position in the region.

First, we must continue to support the SASO Pilot Program. We are very proud of this International Standards Pilot Program that we helped to negotiate. Jointly funded by the U.S. Government and the private sector, which has been organized by the American/Saudi Roundtable, the pilot program for cooperating with the Saudi Arabian Standards Organization [SASO] in developing product standards, has become a reality.

It is the only program of its kind in the world. A year has passed since the program began, and I am proud to say that it has been a tremendous success. Until last year, many of the Saudi standards were written by our international competition—the Japanese, the British, the Germans, and others. American products were being "spec'd" right out of the market. Our share of the Saudi import market had dropped from 37 percent to 19 percent in 1987.

Now, however, we are helping the Saudis to write their standards based on American standards and technology. This program is especially important to small businesses that might not otherwise have the resources to participate in the standards drafting process in Saudi Arabia.

The program costs less than $500,000 a year, but it is an investment that will soon pay potential dividends of tens of millions of dollars to U.S. firms, both large and small. Last year's director of the SASO Program, Mr. Gil Tupper, is with us today. I hope that you will take advantage of his expertise while we have him so close at hand.

Regarding trade competitiveness and employment, there is a strong correlation between jobs and sales overseas. Americans abroad are working, and they are buying American. Our experience has shown that Americans working abroad will buy American, both in their business and in their daily lives.

Further, Americans working abroad are more likely to know about, to look for, and to be willing to work with America's small businesses. Unfortunately, the U.S. Tax Code has a disincentive for companies to hire Americans overseas. Alone among the industrialized nations of the world, the United States taxes its citizens when they are working overseas.

This taxation increases the cost for companies to hire Americans. Our trade competitors recognize this and have exempted their citizens from taxation when they are working overseas. Our country has not. The result is that more and more American companies are hiring non-Americans for their overseas operations. This problem

is brought to the fore by the potential opportunities in rebuilding Kuwait.

American workers will not get the jobs unless they are cost-competitive with the citizens of our international competitors.

This week, the ABCGC has been floating a proposal that could help make the hiring of American workers in the Gulf more competitive. Our proposal is to provide a 2-year tax exemption for Americans working in the Gulf. We have been receiving widespread support for this proposal because we think it could create jobs for Americans, both directly, by Americans working in Kuwait, and indirectly, by Americans working in the Gulf, buying American materials.

This would also serve to improve the U.S. economy, increase domestic tax revenues, and reduce the U.S. trade deficit.

We need to do something to ensure that Americans have the opportunity to work on the reconstruction of Kuwait. This temporary tax exemption could provide that opportunity.

We would be pleased to elaborate on this proposal and to work with you in developing it.

The third means of bolstering the U.S. trade position in the region concerns Kuwait's inventory resupply problems. Although the full extent of the pillage of Kuwait will not be known for some time, it is probably that Kuwait will need a complete restocking of its goods inventory. This unfortunate situation offers a tremendous one-time opportunity to small U.S. businesses for provision of a wide range of goods representing all industry sectors.

However, as lucrative as this prospect may seem, there are sure to be serious roadblocks for small- to medium-sized U.S. manufacturers and suppliers on the way to reaping these rewards. Perhaps the most vexing may prove to be a temporary lack of liquidity within the Kuwaiti private sector.

If American small businesses are going to be able to capture their share of this potential export bonanza, we are going to develop some innovative short-term or bridging finance means to facilitate purchase orders of our creditworthy Kuwaiti customers.

We would suggest that some type of interim export credit facility be established by the U.S. Government to facilitate small business exports to Kuwait. These might take the form of a global guarantee from, for example, the Export-Import Bank or the SBA system, perhaps administered through offices in Kuwait and Saudi Arabia.

At least one of our major competitors, Japan, is ready to provide interim funding for their own exports. The Europeans will likely be willing to offer similar terms. We must do something. We in the ABCGC have attempted to define what we believe will be the most serious impediments to American small business in the Kuwaiti reconstruction and resupply efforts.

We believe that this situation warrants serious attention by our Government to be sure we do not allow our competitors to reap unjust rewards arising from the liberation and rebuilding of Kuwait.

This concludes my official remarks, Mr. Chairman. I respectfully request that our position papers, which I have here, be entered into the record. My colleagues and I would be pleased to answer any questions you or the committee might have.

Thank you.

Chairman SISISKY. Without objection they will be put into the record.

[Mr. Bevec's statement, with attachments, may be found in the appendix.]

Chairman SISISKY. Mr. Greenwald.

Mr. GREENWALD. We are open for questions, Mr. Chairman. We put our statement together to respond to the issues, and we will be pleased to answer any questions you might have.

Chairman SISISKY. All right, I am a small businessman. I want to do business in Kuwait. The pot of gold is over there. I can see it. What is the best way for me to start? We know you have to call the Department of Commerce. But in reality, am I better off trying to subcontract over here? Or am I better off trying to form a joint venture? I imagine that would be difficult at the present time.

What would be the best way, in your opinion?

Mr. CAMPBELL. Let me address that, Mr. Chairman. I think all of the above is probably the answer. As the saying goes, there are different strokes for different folks. Certainly, in Kuwait at the moment, joint ventures won't be possible because the people with whom you want to form the joint venture won't actually be there. In fact, many Kuwaitis are now in Saudi Arabia.

I think the best advice would be to try to get as much information on the region as possible through all available sources, including the Department of Commerce and other Government agencies.

I think the U.S. Department of Commerce deserves special recognition and thanks for the fine job they have done on the Kuwaiti reconstruction, and under very trying circumstances.

Once small business gets that information on the Gulf and decides that there might be a match, there are a number of avenues one might take. If you want to be a supplier, then you have to have someone over there to import for you. If you want to enter into an ongoing business activity, then you ultimately will have to set up a joint venture.

All of those avenues are open. I think inquiries will be positively received by the people in the Gulf because they want very much to do business with us.

Chairman SISISKY. I have received many letters, and some of the most thoughtful ones—one I just replied to yesterday, for example—are from professionally trained women, architects, engineers, who feel that women are not going to be accepted professionally in Kuwait. I notice on the list today that Debbie Willis, a member of your group, was supposed to testify.

Mr. ALEXANDER. I am sitting in her stead because she was unable to attend.

Chairman SISISKY. Can you tell us to what extent American women are accepted in Kuwait?

Mr. ALEXANDER. Yes, sir. I have lived in Kuwait and practiced law there for 9 years. Debbie Willis' law office, in fact, happens to be located across the street from my own in Kuwait City. Debbie and I both were in Kuwait at the time the invasion began.

She was evacuated in September. I stayed underground in Kuwait and was not able to come out until the middle of September. In addition to supporting the troops, many of our business

group members were actually the objects of both sets of troops. I had the opportunity to testify before the full House Foreign Affairs Committee on January 8 as to human rights abuses in Kuwait.

In terms of the men and women in Kuwait, I can tell you that I am always counseling people not to measure Kuwait by a Saudi stick. Women may not vote at present, but certainly Kuwait doesn't have enough people not to use women in professional capacities.

There are local Kuwaiti businesswomen of some prominence in banking and other service areas. There are some women-owned companies from the West—from the United States and Europe—that I have seen come to Kuwait over the years and do business quite successfully.

You have women in the professions and the medical field as administrators. We have no restriction that women cannot drive or pursue their professions in Kuwait. I think it is unfortunate that there was so much press given to those kinds of things, restrictions in Saudi Arabia, that it created the impression that this is the norm in the region as a whole. In fact, it is not.

Chairman SISISKY. Thank you.

Mr. Allard.

Mr. ALLARD. Thank you, Mr. Chairman.

I have several questions. Perhaps we can kind of interchange. You mentioned in your testimony that there are some peculiar business practices, I believe, in Kuwait and the Middle East.

I think maybe our business people would be interested in knowing what type of business practices are unique to that area and some of the pitfalls that our business people fall into when trying to do business in that area.

Mr. GREENWALD. I suppose any one of us could comment or respond to that question and identify different problems in different areas. I think the key to successful business in the region is information. I know that is what we are supposed to provide here, to the extent that we can.

A business needs information about the legal structure in the Gulf. If you go in thinking that it is going to be the same legal structure as the United States, you are going to have a problem. For instance, we frequently see businesses signing agency contracts that have a nice termination clause included, and the U.S. firm thinks that after 1 year they will be able to switch to another agent.

One year later, they find it is impossible to change agents without paying back or recompensing the first agent for loss of profits, perhaps for the rest of the agent's professional life. U.S. firms have to be aware of such local practices.

U.S. firms also have to be aware of such local economies in the difficulty one often encounters in obtaining information or meeting with people, whether it is obtaining information through more conventional Western methods, or the Kuwaiti system of sitting around talking and drinking coffee, or whether it is waiting endless hours for a meeting you thought was scheduled for a firm time. Instead, you might have to wait a couple of hours. There is no offense intended; it is the way things are done.

The key is to end up with a reputable partner. However, finding such a partner among the many individuals claiming to offer services is one of the pitfalls of doing business in the region, whether you obtain the partner through another American company, or a Gulf national—because Gulf nationals can work throughout the Gulf—whether you find a partner in Kuwait or the United Arab Emirates. There are too many people running around saying "I am great, and I can do it for you."

Mr. ALEXANDER. I have visited with companies coming to do business in the Gulf. I second Jack's point. The key is that people seek the proper advice and pay some attention to doing business in the area. Quite often a small business either cannot afford, or does not think it can afford, to get the advice it needs.

If some mechanism could be established to refer people to reputable accountants, law firms, or their counterparts who also happen to be merchants in the country, to guide them through the local maze of customs and jurisdictions, it would reduce the problems that small businesses and business in general have in operating in the region.

Mr. ALLARD. You made the message loud and clear: Let the buyer beware. Also you mentioned you have to be careful with the type of people that you end up doing business with in your joint ventures. In this regard, do you have problems with the Foreign Corrupt Practices Act? How does this play? Has it been a hindrance in doing business in the Gulf? What kind of problems have you run into with that?

Mr. GREENWALD. The Foreign Corrupt Practices Act is a hindrance, but not from the point of view from preventing us from paying big bribes or anything like that. We do not engage in such practices. The hindrance occurs in the fear of an overzealous interpretation or application of that law.

Let me illustrate my point. In most countries in the Gulf, particularly the United Arab Emirates, you can open an office and conduct business, but you need a sponsor. It is all above board. The sponsor gets from $10,000 to $100,000 a year, depending on the size of the business. He has no ownership or control of the business. Once a year he signs your trade license renewal, and that may be all you see of him. This is an established practice. In seeking a sponsor, U.S. firms obviously look for someone reputable and well-established. It so happens that in the Gulf, many of these individuals also hold positions within the government. The sponsorship arrangement is registered with the government, and there is no business-getting intent. However, fear of an allegation of impropriety prevents many U.S. companies from approaching the best sponsors and leaves them with less-certain alternatives.

In summary then, this aspect of the FCPA poses the biggest problem for U.S. business in the region. Fear of a Justice Department investigation is enough to discourage any such business ventures.

Mr. ALLARD. One other thing, Mr. Chairman, along information lines, and we are talking about ways that small business can get information about doing business, my understanding is now that the American Business Council of the Gulf Countries has an electronic bulletin board.

Could you elaborate on that a little?

Mr. BEVEC. Yes, Congressman. Just before we left to come to our annual doorknock here in Washington, we visited with Bob Conan, the commercial officer in Kuwait, who was on his way to assume office. We were having a problem getting current information from Kuwait because of the communication failures they were experiencing.

So, locally, we decided we ought to have an electronic bulletin board on the computer. To access the system, one must have a modem. Telephone contract can be made from anywhere in the world. A password is required for access, which is easily arranged. What we are trying to establish, to the extent that we are able, is a current comprehensive source of U.S. information on commercial activities and opportunities in Kuwait. Since the U.S. Embassy in Kuwait is the prime source of information at this point, we have arranged for the commercial office there to communicate with our office in the American consulate in Dhahran, which in turn will enter information into the electronic bulletin board. We have to make it generally available.

Mr. ALLARD. Is this a service that is available to all business people or pretty well limited to your membership?

Mr. CAMPBELL. All you have to do is get the password, and we will give it out to anybody who has a legitimate interest.

Chairman SISISKY. Would that go through the world trade center?

Mr. GREENWALD. There is a world trade center network. We have not investigated tapping into that network, but we could do so.

Mr. CAMPBELL. I have been in business in the Gulf for 16 years. I have lived there for 27 years. I can tell you that the information vacuum there is like none other in the world. It is very difficult to find information about business in this region.

Chairman SISISKY. I think that is true in all areas of the world. We make it so easy in this country with the Commerce Business Daily. We make it easy for everybody. Nobody makes it easy for us to get business. We are working on something of this nature in Europe, as a matter of fact, trying to get the Europeans to set up a similar system.

Mr. ALLARD. Mr. Chairman, that is all I have as far as information questions. I have a few questions about their tax environment. Maybe you would like to pursue that before I get into it. If not, I will go into taxes.

Chairman SISISKY. Go ahead.

Mr. ALLARD. Mr. Chairman and members of the committee, you suggested that there were some problems from a competitive aspect as far as taxing Americans who were doing business over there, suggesting that perhaps we need to exempt the American worker for a 2-year period. Could you go into a little more detail on some of the tax issues related to doing business in the Persian Gulf area?

Mr. GREENWALD. The issue that we are trying to address with this proposal is jobs. The problem we are trying to address is cost. Various studies have been done on this issue because we all know that it costs more to hire an American overseas than it costs to hire nationals of any of our trade competitors, whether it is the UK, or Canada, Australia, or whatever. Some of these studies have

shown that it costs 20 to 30 percent more, simply because of the fact that the American is paying taxes on his income while other foreign nationals are not. Because of tax equalization programs corporations put in, in an effort to fully compensate those individuals, it becomes a cost issue for the company.

The individual American paying the tax is probably going to come out even, but his or her company will have to pay much more in compensation. When I was hiring lawyers, for instance, there was that 30-percent cost difference between Americans and the British, largely due to the increased compensation for taxes.

The Tax Code interprets income to include all the allowances that have to be paid to Americans overseas. These include home leave, several thousand dollars to fly home once a year, for telephone calls home, and education for dependents.

In the Gulf, we send our children to private schools, not because we want them to go to an exclusive school, but because we want them to go to the American school. That can cost several thousand dollars a year. Money that companies provide for such education then becomes taxable income to the employees. Many workers look at their W-2 statements and say, "I didn't make that much money!" But these allowances all get built into income.

That is why we are excited about this tax holiday proposal. It is a finite mechanism that will have low potential costs but significant benefits. If we can get a significant number of Americans over to the region, by increasing their competitiveness, now is the time to get those people into the region to build employees, they will begin to build relations with the Kuwaitis and other nationals, and to take advantage of the business opportunities. This, in turn, will build U.S. competitiveness in the region.

Once you are established, once you get over the initial information gap, then you will stay and continue to do business. The bottom line is that Americans overseas buy American. We could take your whole afternoon giving you anecdotal stories where, for instance, the British head of an American company tends to buy British, particularly in the case of small business.

A Brit will support and promote British small businesses. He will not have close relationships to the United States or the ability to identify and support small U.S. businesses. The American overseas will have this ability. The 2-year proposal to exempt Americans working in the Gulf from paying taxes on income earned overseas would not only allow us to get American employees over there but would allow us to assist the impact of Americans overseas on U.S. competitiveness worldwide.

We believe that it is important to get Americans overseas around the world. Again, this tax holiday could be a finite experiment to see how well it works and what costs and benefits may be associated with it.

Mr. ALLARD. You also brought up an issue about our labor market being competitive with their labor market over there. Does the minimum wage impact American companies with American workers over in the Persian Gulf?

Mr. GREENWALD. Not as a direct cost. Our minimum wage would most affect the cost of American products overseas. Americans working overseas are not going to be working at the minimum-

wage level. At the lower income levels, American companies would have to hire locally. There would be no sense to bring over someone from the United States.

Mr. CAMPBELL. In other words, you would not hire American bricklayers. You hire locals to lay the bricks and bring over an American bricklayer to supervise. Because, right now, the costs of bringing over an American is so high, most local businesses are not willing to do so.

Mr. ALLARD. If a family decided to go over there, maybe members of that family would look for employment, in which case maybe minimum wage might apply. You might have one member of the family skilled, and they would get a high-paying job, but the other family members might not be so skilled, and that is why I brought that up.

Thank you, Mr. Chairman.

Chairman SISISKY. You heard Mr. Jensen, who said he believes Kuwait is sincere in trying to give as much business as possible to American companies. But I also know that Kuwaitis are tough businessmen.

How long do you think this euphoria will last? I know that is a sobering thing to say, but I believe there is a tendency overseas to quickly forget the positive role the United States has played in various parts of the world.

Mr. ALEXANDER. When I first went to Kuwait, relations between the United States and Kuwait were not particularly good. I was there through the reflagging and a period of time when relationships dramatically changed. Before, I think they wondered whether they could really depend on America to be a good friend. The Gulf War laid all those questions to rest. I think, because of our support and help through these efforts, perhaps, for the rest of my lifetime, our friendship will not be an issue.

People know the United States can be counted on, and there is a closeness that will endure. But in a business sense, what are the kinds of things that will happen, and when to begin to force people to be practical and realistic in terms of the window of opportunity for American business in Kuwait?

Any guess would be speculation. It may take that long to clarify some of the issues that we are talking about today, such as whether Americans are going to rise to the challenge and get their management teams over to the Gulf, and whether small businesses will find their counterparts in Kuwait and other Gulf countries, because it is that Kuwaiti counterpart that Mr. Jensen talked about who sells products.

In many cases, to sell those products, the Kuwaitis counterpart gets products specified for a tender or bid, because if they are not specified, you cannot bid. There is a lot of groundwork that has to be done. You lay the groundwork by being there on the scene, looking after your business, or by finding people you can trust to competently look after that for you.

Some of these issues are going to determine whether or not we are going to be successful in getting more Americans involved in the Gulf.

When I went to Kuwait in 1982, it was decidedly British in its orientation. As far as Western lawyers participating in the local

community were concerned, there were only one or two of us, and these were mostly British. Now it is decidedly American.

I was the first American in a local firm. I think you are going to see that played up across many sectors and industries. I think it is a great opportunity specifically for people who have never exported before. That means to export you have to get people out there, get them in touch with their counterparts who are going to be interested in making money selling their products. I was impressed with Congressman Allard's remarks about exporting our entrepreneurial spirit—you do it through our people, but first you have to get them there.

The question is how do you get them there. In Kuwait, the American population has been declining. For those who have remained, there has been a shift from people who have actually come from America to more of the Arab-American variety, or people who have some other reason to be in the area, in terms of their background and their relationships. Generally, the base of Americans there has been shrinking.

I am hoping we will see a great increase because of this new economic opportunity.

Mr. TUPPER. I think there is one other consideration. We have all read in the newspapers about the desire of the Kuwaiti Government to award the major rebuilding contracts to the coalition partners, and maybe even heard that 70 percent of the contracts will initially go to the United States. However, these can be gross numbers that can be misinterpreted because if large contracts are awarded to an American firm they most likely are not going to do all that work. They are going to subcontract it on down to small businesses.

Now, these are savvy business organizations. They are logically going to make their awards on the basis of quality, price, and delivery. At that time, they are not bound to make those awards to American companies.

I have read numerous articles on this specific subject in the last couple of weeks. A large number of these contracts will go to the Japanese and Europeans around the horn.

I see two ways this can be partially averted. We could take government-to-government action between the United States and Kuwait, just to remind Kuwait that as a matter of policy they could insert in their contract awards on the prime that certain preferences should be given to coalition partners.

Two, the reason we are talking today about such issues as taxation and standards, is that we can bring in more contracts by putting more Americans over there who would aggressively go after that business and are in a place to get it. I don't think there is much question that American companies would like to award subcontracts to American firms if they are there and if they are price competitive. But, as things stand now, I don't see that large percentage number filtering down to the ultimate subcontractor.

Chairman SISISKY. We hope to keep reminding the American prime contractors that there is a small business community out there. We did it 2 weeks ago through the sense of the Congress resolution I mentioned earlier. I think the administration will follow through on that.

You heard Mr. Jensen say that the administration is very aware of small business. I thought it was the duty of this subcommittee right after our victory in the Gulf War to give a wake-up call to our small business agencies to let them know that we are interested in seeing that small businesses and disadvantaged businesses participate in the reconstruction of Kuwait.

One more question for you Mr. Tupper. You mentioned the standards program in Saudi Arabia. The standards issue is one that is going to create problems with the EC. What you did in Saudi Arabia is unique. You have a public/private partnership, am I correct?

Mr. TUPPER. It is a small question with a long answer.

Briefly, this standards program came as a result of a joint effort between the U.S. Government and private industry whereby the private sector, through a not-for-profit company called the American-Saudi Roundtable, went to the private sector in the United States and collected funds for placing a standards adviser in Saudi Arabia.

However, the Saudi Arabian Government insisted on dealing on a government-to-government basis. So, the Saudi-American Roundtable entered into a memorandum of understanding with the National Institute of Standards and Technology whereby the U.S standards adviser would be paid by the private sector, but the Government would provide him with U.S. Government credentials.

I happened to have been the first person to formulate and implement this program. I had lived in Saudi Arabia for 4 years, 1984 to 1988, working with a major manufacturer, and I was familiar with the standards problem in Saudi Arabia.

When I was in Saudi Arabia, I was sponsored by the U.S. Embassy and was provided an office in the embassy, as well as an office within the Saudi Standards Organization.

In fiscal year 1991, the year we are in now, the fiscal year 1991 appropriations in the NIST budget stated that they would provide matching funds with private industry up to $250,000 a year for this entire standards activity. So, the Roundtable paid all my salary and expenses with NIST paying its expenses in support of the program from Gaithersburg, Maryland.

The program is set up, and it is operating very successfully. In the first 11½ months of its operation, we have commented on the equivalent number of standards the Saudi Standards Organization adopts in a 3-year period.

Chairman SISISKY. You are talking about the U.S. program in Saudi Arabia?

Mr. TUPPER. Yes.

Chairman SISISKY. Is there a possibility of setting up a similar program in Kuwait?

Mr. TUPPER. Yes.

Chairman SISISKY. That is another question that needs to be addressed.

Mr. ALEXANDER. The legislation for SASO provides that standards assistance may be given to any country that requests it.

Chairman SISISKY. Are all of you going back to the Gulf region?

Mr. ALEXANDER. Yes, sir.

Chairman SISISKY. So, you are going back to Kuwait, Mr. Alexander?

Mr. ALEXANDER. Yes.

Chairman SISISKY. Let me tell you what my concern is.

Mr. Jensen said we have a commercial officer in Kuwait, and that we will be putting others in there as the availability of housing, security, and other circumstances permit. He also said that we will have as many commercial officers as are needed.

My question is what are the Japanese doing over there? I don't mean to be picking on the Japanese, but I'd like to know how our efforts in Kuwait compare to theirs. I know that here in DC they are well-represented. Do you think we will have enough people on the ground to do the job?

Mr. CAMPBELL. You have touched on a good point. Mr. Allard mentioned that in his opening remarks. It would be criminal if we would do nothing more than to open the door to our competitors here. I think the Japanese in particular are a good example because they do things well internationally. Their trading companies are organized to represent Japan, I think. They have banks in their trading systems.

One of the problems we highlighted in our written testimony is that of the Kuwait reinventory. You are talking about a large amount of goods across the board that have to be brought in to Kuwait to take the place of things looted into Baghdad. The Government can handle this because the Kuwaiti Government has liquefied. Their restocking will not present a problem, but the private businessman is another situation.

He has his assets locked up in the banking system which will not be functional for some time now. Although he may be known to be creditworthy, he does not have liquidity. However, he wants to build up his inventory so he can hit the ground running.

General Motors does not have a problem with this. If they want to restock their agency in Kuwait, it is no problem. But if a small businessman wants to restock his customers' shelves, they have a problem.

The Japanese will extend well over 280 days credit. We need to come up with a system in the United States to handle that. This is a golden opportunity for some of our small businesses to capture a new market for a lot of them. We were not the biggest supplier of Kuwait by a long shot. There were not that many American products in Kuwait. Now, the Kuwaitis are very favorably disposed to buying from us, if they can.

I venture to say we will probably pay a 5- to 10-percent premium as a gesture of good will. But they will not do that if we cannot sign a purchase order.

Your small businessmen cannot carry sales on consignment. They cannot deal with consignment sales. There has to be a way to take advantage of this opportunity to put a lot of American products in Kuwait and continue that down the road with the Kuwaitis.

Chairman SISISKY. What role do you think the Eximbank should play?

Mr. CAMPBELL. We are not sure how this whole thing can come together. Eximbank would finance a large purchase from General Motors because it would be large enough to fall within their pur-

view. I think what needs to be done is a sort of SBA or Eximbank put in place so some of the commercial banks can take the commercial risk, guaranteed by a Federal agency. That is my guess.

Chairman SISISKY. Getting back to my earlier point about having enough officers and assistance on the ground, I have to say that I have some concerns. Mr. Jensen made me feel a little better when he said—and I assume he was speaking for the Commerce Department—that they would send over as many officers as are needed. I am still concerned that we will be outmanned.

Mr. ALEXANDER. It is the kind of thing that the commercial officers Mr. Jensen puts in will not have the ability to do. It will be up to the Kuwaiti merchants and our businessmen.

Chairman SISISKY. One of our prospective hearings for the next year is on American trading companies and how we can increase their effectiveness. That may be the key; I don't know.

Mr. CAMPBELL. There are in the States several companies I have been associated with in the Saudi expansion program of the late 1970's and early 1980's that acted as an export clearinghouse for small businesses that don't know how to export. Most small businesses don't know what a letter of credit is, or how to handle it, and the local banks don't know either.

I think there were groups set up to handle it. I think the U.S. and FCS people on the ground are dedicated, and they do a good job.

The Japanese trading companies had 174 Japanese in Saudi alone. That is what it takes. Our salesmen have to be in the marketplace. You cannot sell from abroad. We have to make that happen.

Chairman SISISKY. This reminds me of a debate in the House Armed Services Committee on which I serve. There are a lot of people, former secretaries, who wanted to bring our war ships back from overseas and use them off the coast of the United States in order to save money. The argument against that is that you respond to crises by being on station, not in port. The same applies to helping our businesses in the Gulf.

Gentlemen, I wish we had more time. We have more questions, but time is fleeting. I appreciate your being here today. We wish you God's speed on returning.

I would also like to thank you, on behalf of members of the Armed Services, for the nice things you did for them while they were in Saudi Arabia. We are well aware of what you did to bring a little bit of America to them, and we do thank you for that.

Finally, we would ask you one thing. If there is anything that we can do from a congressional standpoint, please write us, call us, and the staff will let us know. If you see something we are not doing to improve the competitiveness of the American business community in the Gulf States, we would very much appreciate it if you would bring it to our attention.

Again, thank you so much for being here today.

[Whereupon, at 11:45 a.m., the subcommittee was adjourned, subject to the call of the Chair.]

# APPENDIX

MAJORITY MEMBERS
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102d Congress
United States House of Representatives
Committee on Small Business
Subcommittee on Exports, Tax Policy, and Special Problems
B-363 Rayburn House Office Building
Washington, DC 20515

OPENING STATEMENT
OF THE HONORABLE NORMAN SISISKY
CHAIRMAN, SUBCOMMITTEE ON EXPORTS
TAX POLICY, AND SPECIAL PROBLEMS
COMMITTEE ON SMALL BUSINESS
U.S. HOUSE OF REPRESENTATIVES

HEARING ON
"DOING BUSINESS IN THE PERSIAN GULF REGION"

April 12, 1991
10:00 A.M.

Good Morning. As Chairman of the House Small Business Subcommittee on Exports, Tax Policy, and Special Problems, I have called this hearing to explore some of the issues facing American companies who do business in the Persian Gulf region.

I called this hearing because I believe it is essential to provide information about doing business in the Gulf region to small business exporters, especially those interested in exporting to the Gulf for the first time. Hopefully, this information will steer some businesses towards promising businesses opportunities and help them steer clear of problems that might be avoided.

As most of you know, since the end of the Gulf War there has been a tremendous amount of interest among U.S. small businesses in doing business in the Persian Gulf -- and particularly in Kuwait. For this reason, I held a hearing last month to examine the role of U.S. small business in rebuilding Kuwait.

I am extremely pleased that the reconstruction of Kuwait has awakened American small businesses to the possibility of exporting. I believe that a key step in bettering our country's competitive position is to get small businesses involved in overseas markets. One valuable tool in this effort is simply providing information, so that small businesses can make informed business decisions. I hope that today's hearings makes a valuable contribution to that goal.

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I will be listening closely to our witnesses' discussion of the opportunities and rewards of doing business in the Gulf, as the well as the difficulties and the pitfalls. The premise of this hearing is that there are opportunities for Americans not only in Kuwait in the aftermath of the Gulf War, but also in the other Gulf states. However, I suspect some of our witnesses will also tell us that the Gulf region is a difficult place for Americans to do business, especially for small businesses new to exporting.

Because of the importance of information about how business is done in the Persian Gulf, I'm especially excited about the witnesses that we have today. The best sources of this kind of information are going to be the Americans already familiar with the area: U.S. businesses and U.S. government agencies. I am very pleased that David Jenson, who heads the Commerce Department's Gulf Reconstruction Center, has agreed to testify at our hearing on very short notice.

I am also pleased to have with us distinguished guests from the American Business Council, an association of business men and women who do business in the Gulf states and who have, I understand, lived through the Gulf War. In addition to discussing some of the issues they consider important for improving the competitiveness of U.S. business in the area, I hope that these witnesses will also share with us some of their experiences in doing business over the years in the Gulf. I expect that the rookies can learn a thing or two from the veterans in the region.

I am eager to hear from our first witness, but let me first ask any of my colleagues if they have any statements that they wish to make.

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CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
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OPENING STATEMENT
OF THE
HONORABLE WAYNE ALLARD
SMALL BUSINESS SUBCOMMITTEE ON EXPORTS,
TAX POLICY AND SPECIAL PROBLEMS
U.S. HOUSE OF REPRESENTATIVES

HEARING ON
"DOING BUSINESS IN THE PERSIAN GULF REGION"

Mr. Chairman I would like to thank you for calling this timely subcommittee hearing today to explore the current business climate in the Persian Gulf region for small business owners.

Like all members of Congress, I have received numerous requests from businesses in my district hoping to participate in the rebuilding of countries damaged in the Persian Gulf war. I believe today's hearing will be another important step to recieve critical information on what needs and problems currently exist for small businesses.

This is certainly a unique time in our country's history. The U.S. has reasserted itself as the world's leader in defeating Iraqi aggeression. We must now assert ourselves as the greatest economic power in the world. It is essential that we not miss this chance to export our greatest national assest: American entrepreneurial spirit. If we do not respond immediately the Japanese and European Community certainly will.

It is important for Amercians to realize the amount of business that is available in the gulf region. Kuwait will spend an estimated $100 billion and five years of work to repair virtually every one of their public buildings within Kuwait alone. This does not include the other countries in the region decimated from the war; they will also be looking for American hands and expertise to rebuild.

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The United States does have a successful track record on exporting to this region. In 1990, the U.S. exported $6.4 billion worth of non-military goods and services to this region in 1990.

I understand we will hear from individual businessman that have had the experience of operating in the Persian Gulf region for many years. Many of these individuals were brave enough to stay behind during the gulf war and assist our troops. We have been told of the kindness and support that these business owners displayed during these difficult times. I believe they are all to be commended for their actions.

I believe that we can also learn many valuable lessons from these business owners that have already established a presence in this area. These indivdiuals have first hand knowledge of the difficulties faced when doing business in the gulf.

There are important trade and tax issues that have hampered other U.S. businessman from competing successfully in the Persian Gulf marketplace. I look forward to the discussion today of some of these problems and also look forward to working with Chairman Sisisky to correct some of these difficulties.

STATEMENT OF THE HON. ANDY IRELAND

SUBCOMMITTEE ON EXPORTS, TAX POLICY AND SPECIAL PROBLEMS

COMMITTEE ON SMALL BUSINESS

APRIL 12, 1991

MR. CHAIRMAN, PROTOCOL AND PRACTICE DICTATE THAT OPENING STATEMENTS BEGIN BY COMMENDING THE CHAIR FOR HOLDING THE HEARINGS, AND THAT IS AS IT SHOULD BE. HOWEVER, I WANT TO MAKE IT ABUNDANTLY CLEAR THAT I AM SINCERELY IMPRESSED BY YOUR TRAILBLAZING WORK TO EXPLORE THE ROLE OF AMERICA'S SMALL BUSINESSES IN REBUILDING KUWAIT AND WHAT OUR GOVERNMENT CAN DO TO PROMOTE THEIR INTERESTS.

I THINK THE RECORD SHOULD SHOW THAT UNDER YOUR LEADERSHIP, THIS SUBCOMMITTEE WAS THE FIRST TO HOLD HEARINGS ON THE RESTORATION OF KUWAIT. NOW, A MONTH LATER, YOUR SUBCOMMITTEE STANDS AT THE VANGUARD AGAIN AS WE LISTEN TO THE EXPERIENCES AND RECOMMENDATIONS OF PEOPLE WHO LIVE AND DO BUSINESS IN THE MIDDLE EAST.

LET ME EMPHASIZE THAT THE WITNESSES TODAY ARE NOT GOVERNMENT POLICY PEOPLE, OR ACADEMIC EXPERTS, OR COMPANY RESPESENTATIVES DREAMING OF FEDERAL HANDOUTS IN COMFORTABLE STATE-SIDE OFFICES, ALTHOUGH THEIR CONTRIBUTIONS ARE CERTAINLY VALUABLE.

RATHER, THE SPECIAL PEOPLE WE WILL HEAR FROM TODAY LIVED IN THE MIDDLE EAST WHEN IRAQ INVADED KUWAIT; WERE THERE WHEN THE FIRST COALITION FORCES LANDED; SAW THE FIRST SCUD MISSILES SCREAM ACROSS THE SKY; AND LIVED THERE WHEN OUR TROOPS PREVAILED. THEY WILL ALSO BE THERE IN THE MONTHS AND YEARS AHEAD AS THE PEOPLE OF KUWAIT STRUGGLE TO RECLAIM THE COUNTRY AND THE LIFE THEY ONCE KNEW.

MR. CHAIRMAN, LET ME BRIEFLY RECOUNT A FEW EXAMPLES OF WHAT THESE FINE AMERICANS DID DURING THOSE UNSETTLING TIMES OF WAR AND THE PREPARATIONS FOR IT, BECAUSE I THINK THEY ILLUSTRATE AN IMPORTANT, BUT OFTEN OVERLOOKED POINT.

DURING OPERATION DESERT SHIELD AND DESERT STORM, AMERICAN WORKERS AND THEIR FAMILIES IN THE MIDDLE EAST VOLUNTEERED PRICELESS SUPPORT TO OUR TROOPS. OUR WORKERS AND PROFESSIONALS IN THE MIDDLE EAST INSTITUTED "OPERATION SCRUB AND GRUB" THAT ALLOWED LITERALLY THOUSANDS OF AMERICAN TROOPS INTO PRIVATE AMERICAN HOMES EACH WEEK FOR HOT SHOWERS, HOT FOOD, AND PHONE CALLS TO THE STATES. AND WHEN OUR TROOPS COULD NOT LEAVE THEIR BASES, THE FAMILIES WENT TO THEM WITH "OPERATION DESERT THIRST"-- CARAVANS OF CARS STOCKED WITH COLD DRINKS, CHILI AND HOT DOGS-- WELCOME REMINDERS OF HOME.

CERTAINLY, THE AMERICAN SERVICEMEN AND WOMEN DEEPLY APPRECIATED THIS REMARKABLE SHOW OF SUPPORT, AND ALL AMERICANS OWE THEM A DEEP MEASURE OF GRADITUDE.

BUT THIS EXTRAORDINARY DISPLAY OF GALLANTRY BY AMERICANS ABROAD HAS ANOTHER MEANING, AND ONE THAT DID NOT GO UNNOTICED BY THE HOST COUNTRIES IN THE MIDDLE EAST: AMERICAN WORKERS AND THEIR BUSINESSES STAYED WHEN OTHERS FLED.

MR. CHAIRMAN, VERY LITTLE IS SAID THESE DAYS ABOUT THE INTANGIBLES THAT MAKE THE PRESENSE OF AMERICAN BUSINESSES ABROAD SO IMPORTANT: THE IMAGE OF STICK-TO-IT-TIVENESS AMERICAN WORKERS PROJECT; THE UNSURPASSABLE CHARACTER AND HONESTY THEY PORTRAY FOR OUR COUNTRY; AND THE ENDURING STRENGTH OF FRIENDSHIP INIDIVIDUAL AMERICANS SWEAR BY.

I TEND TO BELIEVE THAT THIS IMAGE OF AMERICANS, THIS INTANGIBLE GOOD WILL, RESTS IN THE MINDS AND MEMORIES OF EVERYONE IN THE MIDDLE EAST WHO SAW, READ OR HEARD ABOUT THE AMERICAN CIVILIANS WHO STAYED; ABOUT THE AMERICANS WHOSE COMMITMENT TO THEIR MIDDLE EAST VENTURES WAS MORE THAN REAPING PROFITS IN THE GOOD TIMES.

THIS NEW IMAGE, THIS NEW RESPECT OFFERS OPPORTUNITIES FOR THE MIDDLE EAST AND FOR AMERICAN SMALL BUSINESSES AND WORKERS THAT NO OTHER NATIONS CAN CLAIM. THESE NEW REALITIES CAN MOLD NEW VENTURES BETWEEN AMERICANS AND THE WONDEROUS PEOPLES OF THE MIDDLE EAST AS WE WORK TOGETHER TO REBUILD THEIR HOMELANDS. THEY CAN FORGE NEW COMMERCIAL ENTERPRISES FOR THE FUTURE. AND THEY CAN PROMOTE NEW EXCHANGES OF TECHNIQUES AND TECHNOLOGIES BETWEEN US.

MR. CHAIRMAN, AS THIS MAY SUGGEST, MY SMALL ROLE IN THIS EXEMPLARY HEARING IS TO RELATE THIS GOOD NEWS ABOUT AMERICAN WORKERS AND BUSINESSES IN THE MIDDLE EAST, AND TO PONDER ITS INFLUENCE IN THE FUTURE.

THE WITNESSES, HOWEVER, HAVE A TOUGHER JOB: TO RELATE THE EMBARRASSING TALE OF HOW FEDERAL POLICIES INHIBIT THE HIRING OF AMERICAN WORKERS IN FOREIGN COUNTRIES; HOW OUR GOVERNMENT FAILS TO RESPOND TO SIMPLE, INEXSPENSIVE INITIATIVES AND THUS ALLOWS FOREIGN COMPETITORS TO LITERALLY BLOCK AMERICAN PRODUCTS OUT OF OVERSEAS MARKETS; AND HOW COUNTING PENNIES SOMETIMES COSTS THOUSANDS OF DOLLARS AND JOBS.

I KNOW OUR PANEL OF WITNESSES WILL SPEAK TO THESE DISTRESSING TROUBLES WITH THE ELOQUENCE EXPERIENCE BRINGS, SO THERE IS NO NEED FOR ME TO ELABORATE HERE.

LET ME SIMPLY CLOSE BY COMMENDING YOU AGAIN, MR. CHAIRMAN, FOR YOUR PIONEERING WAYS, AND BY OFFERING ALL MY ASSISTANCE TO HELP CORRECT THE PROBLEMS SO THAT THE SOLUTIONS ALREADY IN PLACE CAN PREVAIL.

**CONGRESSMAN DAVE CAMP**

**SMALL BUSINESS SUBCOMMITTEE ON EXPORTS,
TAX POLICY AND SPECIAL PROBLEMS**

**April 12, 1991**

**"DOING BUSINESS IN THE PERSIAN GULF REGION"**

MR. CHAIRMAN, I COMMEND YOU FOR YOUR LEADERSHIP AND FORESIGHT IN HOLDING THIS SUBCOMMITTEE HEARING. THIS HEARING WILL PROVIDE US WITH THE OPPORTUNITY TO LEARN FROM EXPERIENCED BUSINESS LEADERS WHO HAVE BEEN OPERATING IN THE PERSIAN GULF REGION LONG BEFORE THE WAR.

I REPRESENT MID-MICHIGAN -- A STATE SUFFERING FROM A 10.7 PERCENT UNEMPLOYMENT AVERAGE. THAT'S FOUR POINTS HIGHER THAN THE NATIONAL RATE. TO SAY THE PEOPLE OF MICHIGAN ARE INTERESTED IN WORKING IN THE PERSIAN GULF WOULD BE A GROSS UNDERSTATEMENT. LET ME TELL YOU ABOUT WHAT HAPPENED JUST YESTERDAY.

MY OFFICE RECEIVED MORE THAN 600 CALLS FROM INDIVIDUALS AND BUSINESS OWNERS LOOKING FOR JOB OPPORTUNITIES IN THE GULF. THAT'S JUST IN ONE DAY. THESE ARE PROUD PEOPLE WHO ARE LOOKING FOR A CHANCE TO MAKE A LIVING AND ARE WILLING TO MOVE FAR AWAY FROM HOME TO DO IT. I AM ALSO HEARING FROM SMALL BUSINESSES WHO VIEW THE PERSIAN GULF AS AN OPPORTUNITY FOR EXPANSION, TO EXPORT THEIR GOODS AND SERVICES -- NOT JUST ON TEMPORARY BASIS, BUT FOR THE LONG HAUL. CLEARLY THERE IS AN INTEREST ON THE PART OF MY CONSTITUENTS IN PERSIAN GULF WORK OPPORTUNITIES. I AM HOPEFUL THAT THE INFORMATION PRESENTED HERE TODAY WILL ASSIST ME IN ANSWERING SOME OF THE QUESTIONS OF MY CONSTITUENTS.

THE LEADERS OF THE PERSIAN GULF COUNTRIES HAVE STATED THAT THEY WILL GIVE THE UNITED STATES PREFERENTIAL TREATMENT IN AWARDING RECONSTRUCTION CONTRACTS. IT IS MY UNDERSTANDING THAT AMERICAN COMPANIES HAVE TO DATE RECEIVED ABOUT 70 PERCENT OF KUWAIT'S CONTRACTS FOR RECONSTRUCTION. THAT IS GOOD NEWS, PARTICULARLY IN THE SHORT TERM, BUT UNFORTUNATELY THERE ARE PROBLEMS THAT LIMIT AMERICAN BUSINESS OPPORTUNITIES IN THE GULF.

IT IS MY UNDERSTANDING THAT MANY U.S. COMPANIES WILL BE HIRING FOREIGN WORKERS RATHER THAN AMERICANS BECAUSE OF OUR PECULIAR SYSTEM OF TAXATION. THE UNITED STATES IS THE ONLY INDUSTRIALIZED NATION IN THE WORLD THAT TAXES ITS CITIZENS ABROAD ON CITIZENSHIP RATHER THAN ON RESIDENCE. THIS DRIVES UP THE COST OF DOING BUSINESS AND MAKES IT FAR MORE ATTRACTIVE TO USE FOREIGN WORKERS. AS A CONSEQUENCE, THERE ARE FEWER AMERICANS WORKING ABROAD TO BUY AMERICAN-MADE GOODS, WHICH HOLDS DOWN U.S. EXPORT OPPORTUNITIES. I WOULD LIKE TO HEAR THE THOUGHTS OF OUR PANELISTS TODAY ON THIS ISSUE, WHICH MUST BE ADDRESSED IF WE ARE TO ENSURE LONG-TERM INTERNATIONAL GROWTH OPPORTUNITIES.

IN CONCLUSION, THE PEOPLE BACK HOME ARE LOOKING FOR ADVICE ON HOW TO GET WORK IN THE GULF. OUR SMALL BUSINESSES WANT TO KNOW THE BEST WAY TO SECURE CONTRACTS. THEY ARE NOT AFRAID OF COMPETITION, BUT THEY WANT TO KNOW PROBLEMS THEY MAY ENCOUNTER AND HOW TO AVOID PITFALLS THAT HAVE TROUBLED OTHERS. THERE ARE PEOPLE HERE TODAY WHO HAVE WORKED IN THE REGION AND HAVE MUCH THEY CAN SHARE WITH US. I THANK THEM FOR THEIR PARTICIPATION TODAY AND LOOK FORWARD TO RELAYING THEIR ADVICE TO A GROUP OF EAGER BUSINESSPEOPLE BACK HOME.

SUBMITTED BY DAVID JENSEN

QUESTIONS BUSINESS PEOPLE FREQUENTLY ASK ABOUT KUWAIT

CURRENT SITUATION

What Travel Restrictions exist?

Until martial law is lifted, travel to Kuwait is strictly limited. There are few hotel rooms available and the situation in Kuwait is not comfortable. For now, business travellers cannot visit the country without a contact.

What does Kuwait need now?

Specific damage assessment information is not available yet. The Kuwaitis have procured emergency goods and services to provide relief to its civilian population: food, water, medical supplies, generators, police and emergency vehicles, mobile communication systems, transportation vehicles, garbage trucks, and services related to restoring their infrastructure.

Once the assessment information is evaluated and the government has set priorities, more information will be made available. The top priorities are likely to be rehabilitation of crude oil production and refining, electrical power generation, and water desalination.

Kuwait imports most of its food. Less than 1 percent of its land is arable. Irrigation is used sparsely, and much of the equipment has been stolen. About 75 percent of potable water must be distilled or imported.

The American Embassy in Kuwait is relaying opportunities to the United States as they are made aware of them. Until communication is restored between the United States and Kuwait, U.S. companies are advised to work through the Commerce District Office network to respond to the opportunities from the American Embassy in Kuwait.

Because the U.S. Embassy in Kuwait is not completely restaffed, the U.S. Government is under orders to minimize official cable traffic. The Embassy will be able to process Agent Distributor Service (ADS) requests in the near future, especially after more of the private sector returns to Kuwait.

Key export opportunity sectors are: electric power generation, oil field equipment and services, telecommunications, computer hardware and software, security systems, medical equipment, food and consumer products.

What should I be doing?

You should learn as much as you can about exporting in general and exporting to the Middle East. If you are new to exporting, you should purchase the Basic Guide to Exporting available from any U.S. Government bookstore.

You should request information by mail from the Gulf Reconstruction Center of the Department of Commerce. Their address is:

Gulf Reconstruction Center
U.S. Department of Commerce
Room 2039
Washington, D.C. 20230

You should send company brochures and proposals to the Kuwait office, if you have not done so already. Their address is:

Kuwait Emergency and Recovery Program
1510 H. Street, N.W., Third Floor
Washington, D.C. 20005
Attention: Dr. Abdulhadi Al-Awadi, Director

You should consider participating in the Dubai Trade Show (in the United Arab Emirates) scheduled for May 13-17. You may want to advertise your products in Commercial News USA, which is distributed abroad.

Where can I go for assistance?

Small Business Administration, Minority Business Development Agency, state department of commerce offices, state economic development offices, Overseas Private Investment Corporation, Export-Import Bank, state chambers of commerce and the Department of Commerce offices in Washington, D.C. and across the country are some of the places to go for information and assistance.

Are there any trade missions planned for Kuwait?

Missions to Kuwait may begin in early summer. There is a "Direct from the U.S.A." trade show in Kuwait, June 3-9. The show will feature consumer goods, automotive parts, household and office furnishings, and medical supplies and equipment.

Companies interested in Kuwait should take advantage of regional trade promotion events. A schedule of trade events for the region will be available soon.

How do I contact the Kuwait Government?

You should write to the Kuwait Emergency Recovery Program (KERP) in Washington, D.C. (see page 2 for address) and ask for a copy of their "supplier/vendor" application. You should return the completed form to KERP, which is compiling a data base with this information and will source goods and services from this data base. If you wish, also send a copy to the Gulf Reconstruction Center for our data base.

The American Embassy in Kuwait is communicating with the Kuwait Government in Kuwait on behalf of our private sector.

The Kuwait Task Force (KTF) located in Dammam, Saudi Arabia is meeting with companies they have contacted in the region. It is not advised to go to Saudi Arabia to try to meet with KTF unless you already have a contract. The Kuwaiti Government is contacting firms directly for goods and services.

Is air service to Kuwait available?

At this time the airport is closed to most traffic except military and official government travel, and an occasional flight by Kuwaiti Airlines. The only way to get to Kuwait is through Saudi Arabia, and you will need a visa for both countries. Make sure your Saudi visa permits at least two entries so you can enter Kuwait from Saudi Arabia and leave Kuwait into Saudi Arabia.

How can I check a Kuwaiti businessman's credentials?

Most prominent Arab names can be found in the book, "Who's Who in the Arab World," available in most major libraries. Family names are very important in Kuwait, and they can usually be traced. You might also ask your bank for a credit reference.

As soon as possible, the U.S. Embassy will reestablish the World Trade Data Report (WTDR) service. Companies can use this service to obtain information on Kuwaiti companies and individuals.

MARKETING YOUR PRODUCT IN KUWAIT

What does Kuwait usually import?

Kuwait's total import bill for 1989 was $6.5 billion. The U.S. share of the market in 1989 was $855 million or 15 percent.

Kuwait's top five import categories have been: oil and gas field equipment, machinery and metal products, transport equipment, manufactured goods, and food and consumer products.

Who are Kuwait's major suppliers?

The United States, Japan, Germany, the United Kingdom and Italy have been the top five goods and services suppliers.

Who will be Kuwait's suppliers in the 1990s?

The United States has been awarded about 70 percent of the 201 contracts let for the emergency phase for a total of $300 million. We expect our exports to Kuwait to reach $2.5 billion in 1991.

A press release issued by the Kuwait Government on March 25 stated, "The Government of Kuwait will ensure that business enterprises in the United States and other coalition countries will be able to actively participate in the rebuilding of Kuwait."

What do I need to do to market my product in Kuwait?

In most cases, Kuwaiti law requires foreign companies to have local representation if the product is going to be imported on a continual basis. Kuwaiti firms usually require that they be appointed as an exclusive agent, representative, or distributor. Since Kuwait is a small country, this does not cause problems for foreign firms because the market can be covered by one Kuwaiti firm.

Is travelling to Kuwait usually necessary to establish a Kuwaiti representative?

When travel to Kuwait is feasible, we strongly recommend you visit your prospective representative to facilitate good relationships.

How do I find prospective Kuwaiti representation?

Until Kuwait's private sector returns to Kuwait, it will be difficult to make contacts. Most Kuwaiti major merchants and business people are scattered all over the world. As soon as possible Commerce will reestablish the Agent Distributor Service (ADS) to assist companies in identifying local representatives.

We are aware that some individual Kuwaitis are making contacts with our private sector directly. If you are contacted by either the Kuwaiti Government or a Kuwaiti private sector individual, this contact should be taken seriously. If you are requested to quote prices for goods and services, remember that the Kuwaitis are shopping around and that you must be competitive to get business.

In the meantime, you may want to consider making contacts in other countries in the region who may be able to get business in Kuwait. Commerce Department services, like the ADS, are available in other countries in the Gulf region.

In addition, martial law has been declared and Kuwaiti citizens, foreigners, and companies without a contract will not be allowed into Kuwait until the situation is more stable.

Do agency agreements need to be registered in the United States?

Kuwaitis normally require State Department and Kuwaiti consulate authentication for official representation agreements. Kuwaiti law also requires the Kuwaiti firm to be registered with the Kuwait Chamber of Commerce.

On what terms of sale should I offer my products?

Kuwait's immediate emergency recovery needs are being met on a cash basis by the Government of Kuwait.

"Off-the-shelf" exports such as consumer goods, spare parts, agricultural goods, industrial raw materials and chemicals are typically paid for within at most 180 days. Capital goods exports may require terms of up to 5 years.

Exporters should use normal payment terms and financing procedures. An irrevocable letter of credit confirmed by a well-known U.S. bank is the safest payment mechanism for all international business transactions. It is important to make sure that the letter of credit contains all necessary details and specifications.

JOINT VENTURES

What is Kuwait's joint venture law?

Kuwaiti law requires foreign companies to have a joint venture partner if they are going to open a business in Kuwait. The Kuwaiti share must be at least 51 percent in most cases. At this time, joint ventures are not allowed in the petroleum sector, and foreign firms are limited as to what they can do in the financial and insurance sector.

How can I find a joint venture partner?

Commerce's ADS service can be tailored to find potential joint venture partners. This service will be available in Kuwait in the near future.

VISA

How do I obtain a visa?

The Kuwait Government requires that foreign individuals have a local sponsor send a letter to the Kuwait consulate on their behalf asking the consulate to issue them a visa. Sponsors are usually the local representative of the company or individual. The sponsor is responsible for the visitor while he or she is in Kuwait and may insist on holding the individual's passport until the individual is ready to leave Kuwait.

At this time only individuals with contracts or specific business with the Kuwait Government are being allowed in to Kuwait. Some individuals have made it into Kuwait illegally and are having extreme difficulties. They are experiencing delays of up to two weeks in getting back into Saudi Arabia.

DOCUMENTATION REQUIREMENTS

What are Kuwait's documentation requirements?

Kuwait requires that certificates of origin be certified by either a local chamber of commerce or a U.S.-Arab chamber of commerce and the Kuwaiti Embassy. Specifications of size, number, measurements, colors, packing and wrapping, shipping method, and method of freight must be clearly stated on all shipping documents to prevent delays in clearing Kuwaiti customs.

Kuwait uses the metric system. If your product contains a manual, the manual must have an Arabic translation. Kuwait requires that all products be permanently marked with the country of origin. If more than one country of origin exists, the percentage from each country must be clarified and/or marked.

Major household appliances must operate unaided (that is without transformers) on Kuwait's power transmission grid (240 volts, 50 hertz cycles).

TAXATION

Does Kuwait have a personal income tax?

There is no personal income tax in Kuwait.

Does Kuwait assess corporate income taxes?

Income derived in Kuwait by any foreign enterprise operating directly or indirectly through representation, will be subject to a tax on profits. Rates are progressive and are as high as 55 percent. While tax liabilities are computed more or less on the basis of profits disclosed, allowable deductions may vary significantly from home-country practice.

If you are interested in establishing a business relationship in Kuwait, you are advised to familiarize yourself with Kuwait's corporate tax law in addition to seeking legal counsel.

CONTRACTS

How are contracts awarded in Kuwait? How do I get "prequalified"?

At the present time, Kuwaiti law and procedures which were in effect prior to the invasion are still relevant. We do not know if Kuwait's contract law and procedures will be changed.

Government procurement is governed by the Public Tenders Ordinance Law Number 31/1964 (the "Tenders Law"), as amended, which established basic contract legislation. In addition, the Central Tenders Committee (CTC) was established to administer tender procedures and award contracts. Traditionally, tenders have been published in the Kuwait Al Yaum, Kuwait's official gazette.

The CTC also administers the prequalification process and the bidding competition. Through this process, the Kuwaiti Government asks only those firms which qualify to submit a bid for a particular project. Firms wishing to compete seriously for contracts must enter the competition at the prequalification stage.

We advise that companies familiarize themselves with Kuwait's laws, procedures, and the role of the CTC before pursuing any contract bid. In brief, the CTC is obligated by law to award contracts to the lowest bidder, although there may be some exceptions due to the particular expertise of a company. Kuwaiti clients (usually cabinet ministers) evaluate bids and recommend which company should win the contract. The client may also "short-list" companies and negotiate with them. These negotiations are tough.

Technically, anyone who bids on a project must be a Kuwaiti. This means that international firms need to have local representation and/or a joint venture partner.

Bid bonds almost always take the form of a bank guarantee. The "performance bond" also takes the form of a bank guarantee from an American bank payable to a Kuwaiti bank. The value of the bond is usually 10 percent. Contractors normally receive an advance payment to cover mobilization which is compensated over time.

TARIFFS

What are Kuwait's tariff rates?

It is not clear how or if customs duties will be imposed for the reconstruction period. Exporters usually quote to Kuwait f.o.b. and leave tariffs up to the importer.

When tariffs are charged, they are usually nominal. A 4 percent tariff is charged on products Kuwait does not manufacture. At this time, almost all products fall under this category. Fresh vegetables, fruits, books, periodicals, movie, films, gold and silver bullion, live animals, and animal feed are exempted from custom duties. Before the invasion, a few products that were produced locally were assessed tariffs of 15 to 30 percent.

Tariffs are not collected on goods coming in from other countries in the Gulf Cooperation Council (Saudi Arabia, Bahrain, Oman, United Arab Emirates, and Qatar).

TRAVEL TO KUWAIT

What should I be aware of when travelling to Kuwait?

July and August are extremely hot. Light cotton clothing is worn 8 months of the year. Since Kuwait is mostly desert, travel outside normal traffic areas is discouraged. If you are going to be in the country for any length of time, you should register your presence with the American Embassy in Kuwait.

Living conditions will be harsh for some time; food and water are scarce, as are hotel rooms. Getting around by taxi was not a problem in the past, but until more vehicles are in Kuwait, taxis will probably not be available.

BASIC BACKGROUND QUESTIONS ON KUWAIT

Does Kuwait have a market-oriented economy?

Kuwait has a market economy with few restrictions on trade. Kuwait has no regulations on quantity or quality of imports. Kuwait does not impose quotas and does not require special licenses. Foreign participation in the economy is, however, tightly controlled. Firms must do business through an agent or distributor, and investment must be made with a local partner.

What legal system does Kuwait have?

Kuwait has a civil law system in addition to Islamic law, which governs personal matters. The Kuwait Constitution took effect in 1963.

Are there foreign exchange constraints?

There are no regulations or controls over the movement of foreign exchange.

Does Kuwait have intellectual property rights (IPR) laws?

Kuwait is not a member of any IPR convention. There is a trademark and patent law, but it is not enforced. Kuwait is interested in developing IPR laws. The Kuwaitis try to combat the importation of imitation goods.

Does Kuwait recognize international arbitration?

Government contracts generally require that arbitration be conducted in Kuwait. Parties to a dispute may select their own arbitrator. A third arbitrator is nominated by the Kuwait Chamber of Commerce, subject to the approval of both parties. Under Kuwait law, an arbitration tribunal has no competence to decide on issues pertaining to the legality of a contract, public policy or public order.

Kuwait is a party to the New York Convention in Recognition and Enforcement of Foreign Arbitrators Awards. Disputes not referred to arbitration are generally referred to the Kuwait Commercial Court.

Does the United States have any treaties with Kuwait?

The U.S. Overseas Private Investment Corporation (OPIC) and the Government of Kuwait have signed a bilateral agreement. Kuwait has requested consultations with the U.S. Government to negotiate a double taxation treaty.

What is the time difference between Kuwait and the United States?

Eastern standard time plus 7 hours.

What currency is used in Kuwait?

A new Kuwaiti dinar has been issued. Major credit cards are accepted. You can exchange dollars for Kuwaiti dinars at the airport and most banks. The rate is $2.45 = 1 dinar (as of 5/1/91).

What are some of the customs of Kuwaitis?

The Department of Commerce has prepared "Tips for Travelers to Kuwait," which includes information on this topic. You may request this by writing to the Gulf Reconstruction Center (address on page 2).

The use of alcohol is prohibited; do not try to take alcohol into Kuwait. Drugs are strictly prohibited. If you need to take prescription drugs into Kuwait, be sure they are clearly marked and that you do not try to hide them. Pork products and all pornography are strictly prohibited.

What holidays should I be aware of?

January 1; National Day, February 25; Ramadan (varies; was March 17 through April 16, 1991) and every Friday (the Islamic sabbath).

Is Kuwait an expensive city?

Prior to the invasion, hotel rooms cost $90-150 per night. The U.S. Government per diem for Kuwait before the invasion was $160 per day.

What are the business hours?

8:30-12:30 a.m. and 2:30-4:30 p.m., Saturday through Thursday morning.

What products has the U.S. been selling in Kuwait?

In 1989, U.S. exports to Kuwait equalled $855 million; the top six U.S. export items to Kuwait were:

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|---|---|
| 1. Passenger cars | $255 million |
| 2. Cigarettes | $43 million |
| 3. Automobile trucks | $67 million |
| 4. Chassis parts | $25 million |
| 5. Aircraft, parts | $32 million |
| 6. Chem. mix. and preps. | $13 million |

By commodity breakdown what has the U.S. been selling to Kuwait? (1988 figures, items not already listed above)

Agriculture: $25 million

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| Corn, seed for planting | $7 million |
| Corn oil | $4.4 million |
| Soybean, other | $4 million |
| Edible preparations | $4 million |
| Rice, not parboiled | $2 million |
| Veal, fresh, chilled | $1.6 million |
| Chicken | $1.5 million |

Machinery, equipment and related materials: $30 million

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|---|---|
| Mechanical Shovels | $10 million |
| Compressors | $7.5 million |
| Mobile cranes | $5 million |
| Pumps for liquids | $4 million |
| Filtering equipment | $2 million |

Automobile: $310 million

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|---|---|
| Parts for piston type engines | $9 million |
| Tires | $4 million |
| Motor vehicle hardware | $2 million |
| Parts for comp-ignition engines | $2 million |
| Truck and automobile trailers | $3 million |

Telecommunications: $15 million

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|---|---|
| Radio telegraphics | $8 million |
| Telephone apparatus | $3 million |
| Electrical switches | $2 million |
| Insulated wire and cable | $1 million |

Measuring devices: $6 million

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|---|---|
| Pressure gauges | $3 million |
| Electro-medical devices | $3 million |

Other, misc.: $46 million

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|---|---|
| Air conditioners, chillers | $9 million |
| Generators | $2 million |
| Refrigerators | $6 million |
| Pipes | $10 million |
| Consumer goods | $20 million |

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# KUWAIT: AN AGENDA FOR AMERICAN COMPETITIVENESS

Subcommittee on Exports, Tax Policy, and Special Problems
House Small Business Committee

Friday, April 12, 1991, 10:00 a.m.
2359A Rayburn House Office Building

Testimony of
THE AMERICAN BUSINESS COUNCIL OF THE GULF COUNTRIES

Thank you, Mr. Chairman, for the opportunity to testify this morning. On behalf of the American Business Council of the Gulf Countries (ABCGC), my colleagues and I are delighted to be with you today to address the opportunities and challenges faced by America's small businesses in approaching the rebuilding and restocking of Kuwait.

My name is Theodore F. Bevec, and I am this year's Chairman of the ABCGC. With me today are Gilbert Tupper from Riyadh, Debby Willis from Kuwait, and Howard Campbell from the Eastern Province of Saudi Arabia. We will address the issues of product standards, taxes, the reconstruction of Kuwait, and the need for interim financing for restocking the private sector of Kuwait.

Before I share my thoughts with you about what the war meant to us civilians in the Gulf, I would like to provide you with a quick overview of the American Business Council of the Gulf Countries. The ABCGC, widely regarded as the voice of American business in the Gulf, is the umbrella organization of the region's AmChams, affiliates of the U.S. Chamber of

Commerce. The ABCGC helps to represent the nearly 700 U.S. corporations and 35,000 civilian Americans who live and work in this vital region, with ABCGC member groups in Saudi Arabia, Bahrain, Oman, the United Arab Emirates and, until last fall, Kuwait. I do not need to tell you how important this region is to the United States; the United States has demonstrated over the past eight months that the Gulf is one region that America considers worth fighting for. And if the 8,000-10,000 calls on the rebuilding of Kuwait that the Commerce Department receives every day are any indication, there are a lot of Americans out there who would like to get to know the region better!

## THE GULF WAR

Our lives changed drastically on August 2 of last year, when the Iraqis invaded Kuwait and the whole region was thrown into turmoil. In the ensuing months, the American business community in the Gulf shifted into high gear to help our soldiers at war. There is a tremendous amount of patriotic spirit among Americans in the Gulf area, and the outpouring of support that greeted the American GIs was moving. Through "Operation

Scrub and Grub," "Operation Desert Thirst," and "Operation Desert Outreach," the ABCGC and the American community were able to provide direct support to tens of thousands of our troops. For more information on this effort, Mr. Chairman, I encourage you to review our paper entitled: "The ABCGC: An Asset to the Nation."

In the early days of the U.S. military build-up in the Gulf, things were pretty hectic. Members of the ABCGC played an instrumental role in offering logistical support for our military. With our extensive network of contacts in the region, we were able to help supply everything from vehicles to medical supplies to just plain helpful advice.

Now that the war is behind us, we are an even more important American resource in the region.

In order to land contracts in Kuwait, American companies will need to move fast, once opportunities present themselves. The key to taking advantage of these opportunities will lie in the ability to secure timely, reliable information about developments in the Gulf. The member

AmChams of the ABCGC, with their extensive private and public sector contacts in the area, are well positioned to supply such information. With the establishment of our new "Electronic Bulletin Board," designed to identify commercial opportunities in the region and to share information, the ABCGC is even better placed to serve as a resource to America's private and public sectors.

No one knows the total figure for the Kuwait rebuild -- $10 billion or $50 billion or $100 billion. No matter how you cut it, there will be tremendous opportunities for large and small American companies in the region, but only if they are competitive. Just about everyone in the United States would love to carve out a piece of the Kuwait pie. Let's face it -- even a tiny slice of a $100 billion pie is still a pretty good sized portion!

Timing will be important in getting a piece of the Kuwait pie. But before your constituents jump onto the next plane bound for the Gulf, let me share with you a few of our observations on the Kuwait scene.

o First, things in Kuwait are quite chaotic right now. Unless you have

good contacts there and know what you are doing, this is not the time to visit that war-torn nation. Aggressive businesses should be thinking about a trip to Kuwait, but in all probability, Kuwait will be in no position to efficiently receive those businesses until later in the year. These American companies should instead be using their time to study the market, prepare their promotional and bidding materials, and build their networks of contacts.

o Second, watch out for "hustlers." During our week in Washington, we were told that a variety of firms are promising contracts in Kuwait. Take all such overtures with a grain of salt. No, throw them out with the salt. The fact is, no one is in a positon to "guarantee" contracts in Kuwait. Such decisions must ultimately be made by the Government of Kuwait, and we have no doubt that the Kuwaitis will carefully review the proposals of all qualified companies.

o Third, if a company wants to get involved in Kuwait right now, then it should consider using the other nations of the Gulf as staging grounds and using their businessmen as partners. Large amounts of goods and

services are already being passed into Kuwait via Saudi Arabia, Dubai, and Bahrain. If an American company wants to identify reputable contacts in those nations, the ABCGC can help.

- Fourth, a reasonable percentage of contracts in Kuwait will go to American firms. The total package may not be as high as 70 percent, the ballpark estimate bandied about these days, but it has the potential to be billions of dollars' worth of contracts.

- Finally, landing contracts in Kuwait will not be a cakewalk. Once competitive bidding begins anew in Kuwait, American firms will face some very stiff competition from European and Asian companies. To stay in the running in Kuwait's reconstruction, U.S. companies will need to be both competitive and innovative.

## BOLSTERING U.S. COMPETITIVENESS

As we look to the future, there are many ways in which the United States could boost its competitiveness in the Gulf. In their meetings on Capitol

Hill and within the Administration this week, ABCGC members have identified three means of bolstering our nation's trade position in the region.

1. The SASO Program

We are very proud of the International Standards Pilot Program that we helped to initiate. Jointly funded by the U.S. government and the private sector, which has been organized by the American/Saudi Roundtable, the pilot program for the Saudi Arabian Standards Organization (SASO) has become a reality. It is the only program of its kind in the world.

A year has passed since the program began, and I am proud to say that it has been a tremendous success. Until last year, most Saudi product specifications were being written by our international competition -- the Japanese, the British, the Germans, and others. American products were being "spec'd out" of the market, and our share of the Saudi import market had dropped from 37% in 1980 to 19% in 1987.

Now, since the program has begun, our standards advisor in Saudi Arabia has sent 225 draft standards to U.S. businesses for comments. These draft standards cover products of virtually every industrial sector. Comments on more than half of them have been returned to SASO in Riyadh, where they have been written almost verbatim into Saudi Arabia's product standards. This is a breakthrough for American business in the region.

The U.S. Embassy in Riyadh has characterized the program as "superbly productive" during its first year of operation. "Though badly outnumbered by the competition," the Embassy says, "our advisor is well on his way to becoming a major influence at SASO and is starting to undo damage caused by years of U.S. non-involvement in Saudi standards-making."

This program is especially important to small businesses that might not otherwise have the resources to participate in the standards drafting process in Saudi Arabia. The program costs less than $500,000 year, but it is an investment that will soon pay potential dividends of tens of millions of dollars to U.S. firms, both large and small.

Last year's Director of the SASO program, Mr. Gilbert Tupper, is with us today. I hope that you will take advantage of his expertise while we have him so close at hand.

2. Trade Competitiveness and Jobs

The issue here is jobs and sales. Americans working abroad are working, and they are buying American. Our experience has shown that Americans working abroad tend to buy American, both in their businesses and in their daily lives. In a March "Hire American" letter that I sent to ABCGC member groups, I noted that we must "encourage U.S. companies operating in the region to employ Americans whenever possible." America needs to have more Americans working abroad.

Unfortunately, the United States tax code has a disincentive for companies to hire Americans overseas. Alone among the industrialized nations of the world, the United States taxes its citizens when they are working overseas. This taxation increases the costs for companies to hire Americans. Our trade competitors have recognized this and have exempted their citizens

from taxation when they are working overseas. Our country has not, and the result is that more and more American companies are hiring non-Americans for their overseas operations.

This problem has been brought to the fore by the potential opportunities in rebuilding Kuwait. American companies have the inside track to get the bulk of the available contracts. But American workers will not get the jobs unless they are cost competitive with the citizens of our international competitors.

This week, the ABCGC has been floating a new proposal that could help make the hiring of American workers in the Gulf more competitive. The proposal is to provide a two-year tax exemption for Americans working in the Gulf.

We have been receiving widespread support for this proposal because we think it could create jobs for Americans, both directly -- by Americans working in Kuwait -- and indirectly -- by Americans in the Gulf buying American. This would also serve to improve the U.S. economy, increase

domestic tax revenues and reduce the U.S. trade deficit.

We need to do something to ensure that Americans have the opportunity to work on the reconstruction of Kuwait. This temporary tax exemption could provide that opportunity. We would be pleased to elaborate on this proposal and to work with you in developing it.

3) Kuwait Inventory Resupply Problems

In the words of one frustrated Kuwaiti, "We have suffered an inventory liquidation at the hands of the Iraqis." No doubt everyone is familiar with press reports of the systematic Iraqi looting of Kuwait. One of our own Doorknock team members, in fact, has had her apartment looted not only of its moveable possessions, but also some of the fixtures such as the taps on the sinks.

Although the full extent of this pillage will not be known for some time, it is probable that Kuwait will need a complete restocking of its goods inventory. This unfortunate situation offers a tremendous one-time opportunity to

small U.S. businesses, for provision of a wide range of goods representing all industry sectors.

However, as lucurative as this prospect may seem, there are sure to be serious roadblocks for small to medium sized U.S. manufacturers and suppliers on the path to reaping the rewards. Perhaps the most vexing of these may prove to be a temporary lack of liquidity within the Kuwaiti private sector.

The Kuwaiti government possesses adequate liquid resourses to fund its restocking requirements (as well as reconstruction needs). However, a major portion of restocking demand for U.S. goods is anticipated to come from the private sector. Many of the affected Kuwaiti businessmen possess genuine and considerable assets, but for the present time, most cannot gain access to them.

Thus, if our American small businesses are going to be able to capture our rightful share of this potential export bonanza, we are going to have to develop some innovative short-term or bridging finance means to facilitate

the purchase orders of our creditworthy, though illiquid, Kuwaiti customers.

A few years ago, this would have been no real problem. Our banks were offering large credits to anyone who had a perceived need. Today, in the wake of the banking system's substantial balance sheet write-downs arising from times past, 90 or 180 day credits will just not be forthcoming to finance American small business exports to Kuwait.

While we do not have ready solutions at hand at this time, we would suggest that some type of interim export credit facility must be established by the U.S. government to facilitate small business exports to Kuwait. These might take the form of a global guarantee from, for example, the Ex-Im Bank or the SBA system, perhaps administered through offices in Kuwait and Saudi Arabia.

At least one of our major competitors is ready to provide a ready source of interim funding for their own exports. The Japanese trading companies offer one-stop shopping, with bridge financing from their own in-house banks. They have their sales force on the ground and are poised to strike a quick

and easy deal with the temporarily bereft Kuwaitis. The Europeans will likely also be willing to offer similar terms. We must do something.

We in the ABCGC have attempted to define what we believe will be the most serious impediments to our American small businesses in clinching business in the Kuwait resupply and reconstruction effort. We believe that this situation warrants serious attention by our Government, to assure that we do not allow our competitors to reap our just rewards arising from the liberation and reconstruction of Kuwait.

This concludes my official remarks, Mr. Chairman, and I respectfully request that our position papers be entered into the record. My colleagues and I would be pleased to answer any questions that you or the Committee might have.

EXPORT USA

# PERSIAN GULF REGION FACT CARD

## U.S. DEPARTMENT OF COMMERCE ORGANIZED OR AFFILIATED TRADE EVENTS

☐ *THE FACT CARD INCLUDES TRADE EXHIBITIONS AND CATALOG SHOWS THAT MAY BE OF INTEREST TO U.S. FIRMS WISHING TO EXPORT TO THE PERSIAN GULF REGION.*

### "MADE IN USA"

An exhibition of U.S. products in Dubai, UAE, May 13-17, 1991. A large number of industry sectors are featured including medical, consumer goods, textiles, construction, chemicals, transportation, and services.

Contact: Globe International, Inc.
1700 K Street, NW, Suite 403
Washington, DC 20006
Tel: (202) 659-4557

### SAUDI AIRCON/ELENEX

A U.S. Pavilion at an international exhibition in Riyadh, Saudi Arabia, September 8-12, 1991. The U.S. Pavilion will feature U.S. manufacturers of air conditioning/heating/refrigeration and some electrical products.

Contact: Ms. Tyrena Holley
Room H-2213
U.S. Department of Commerce
Washington, DC 20230
Tel: (202) 377-3509

### SAUDI BUILD

An international exhibition in Riyadh, Saudi Arabia, October 20-24, 1991. The U.S. Pavilion will feature construction equipment, building materials, and safety/security equipment.

Contact: Mr. Robert Vigneault
Room H-2213
U.S. Department of Commerce
Washington, DC 20230
Tel: (202) 377-1793

### MOTEXHA

The largest trade show for men's, women's, and children's apparel and textile home furnishing products, serving the entire Gulf region, October 24-27. The U.S. Pavilion will feature 35 companies.

Contact: Mr. William Dawson
Room H-3111
U.S. Department of Commerce
Washington, DC 20230
Tel: (202) 377-4324

### REBUILD KUWAIT '91

A Commerce-certified U.S. Pavilion at the Bahrain International Exhibit Center, November 2-7, 1991. A broad range of products will be featured.

Contact: Kallman Associates
Five Maple Court
Ridgewood, NJ 07450-4431
Tel: (201) 652-7070

### DUBAI '91

A Commerce-certified event in Dubai, UAE, November 3-7, 1991. Emphasis is being given to commercial aircraft/aerospace products.

Contact: American Aerospace Industries, Inc.
550 Mamaroneck Avenue
Harrison, NY 10528
Tel: (914) 698-9385

The U.S. Department of Commerce will sponsor an Aerospace Products Information Center at this event.

### MIDDLE EAST OIL & GAS

A U.S. Pavilion at the Bahrain International Exhibit Center, November 16-19, 1991. The exhibition features oil, gas, and petrochemical equipment and services.

Contact: Mr. Sam Dhir
Room H-2010
U.S. Department of Commerce
Washington, DC 20230
TEL: (202) 377-1793

### CATALOG SHOWS

Several catalog shows are scheduled in the region, starting in the Fall 1991. Events are tentatively scheduled for Saudi Arabia, Bahrain, UAE, Oman, and Qatar. Construction, building materials and medical equipment are featured.

Contact: Mr. Louis Quay
Room H-2119
U.S. Department of Commerce
Washington, DC 20230
Tel: (202) 377-3973

as of 4/11/91

P.O. Box 88
Dhahran Airport 31932
Saudi Arabia
Tel: (966) (03) 857-0595
Fax: (966) (03) 857-8130
Tlx: 870028 WTKA SJ

c/o Intercon
1101 30th St. N.W.
Suite 500
Washington, D.C. 20007
Tel: (202) 887-1887
Fax: (202) 887-1888

# The American Business Council of the Gulf Countries

- Some 700 American companies currently operate in the Gulf Cooperation Council (GCC) countries of Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates, and Oman. The voice of the U.S. business community in this region is the American Business Council of the Gulf Countries (ABCGC). The ABCGC is the coordinating body of the region's AmChams, American Chamber of Commerce affiliates in the Gulf.

- There are 35,000 civilian Americans, including spouses and children, residing in the six GCC countries. Approximately 16,000 Americans work in the Gulf. They promote the expansion of American business and regularly repatriate their earned income.

- These Americans are leading business people, professionals, and ordinary breadwinners who are quietly building commercial and personal relations with their hosts. Forged by private individuals in the interest of fair and mutually beneficial exchange, these relationships contribute substantially to better understanding, cooperation, and business between the U.S. and this strategic area of the world.

- The robust U.S. GCC economic relationship is sustained by this large American presence, increasing the demand for American goods and services in the region.

- According to the U.S. Chamber of Commerce, the U.S. exported $6.4 billion worth of non-military goods and services to the region in 1990, making the GCC block by far the largest overseas U.S. market in the Near East and North Africa. In fact, Saudi Arabia alone is America's largest trading partner in this region, buying more than either Israel or Egypt. Americans in the GCC countries generated an additional $4.0 billion in service exports, and the sales of U.S. defense equipment added about $12 billion more, amounting to more than $22 billion of overall exports to the GCC market in 1990.

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## WHAT IS THE ABCGC?

In 1989, the American business associations of the Gulf region established the American Business Council of the Gulf Countries (ABCGC) as a joint formal organization. The ABCGC represents the following associations:

- American Businessmen's Group of Riyadh
- American Businessmen of Jeddah
- American Businessmen's Association, Eastern Province
- American Business and Professional Association of Bahrain
- American Business Council of Kuwait
- American Business Council of Dubai
- American Business Council of Oman

All of these member associations are voluntary. Together, their membership includes 1,000 Americans from several hundred different U.S. or U.S.-affiliated companies doing business in the countries of the Gulf Cooperation Council (GCC). These include Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates, and Oman.

While most of the members of these associations are executives of companies with operations in the region, the rosters also include university professors, physicians, administrators of American community schools, architects, engineers, lawyers, project managers, and other professionals. Thus, the ABCGC is representative of the broad spectrum of Americans involved in the region.

The ABCGC is affiliated with the U.S. Chamber of Commerce and works closely with the Chamber's International Division to coordinate policy and strategy. The ABCGC also has a representative on the U.S. Chamber's International Policy Committee in Washington, D.C.

## PURPOSE OF THE ABCGC

The ABCGC provides American business associations in the region with a common point of contact and a voice on business issues of general concern to the American business community. The ABCGC has adopted the following statement of purpose:

"The Council shall be a non-profit association of independent American business organizations in the GCC countries, and shall operate as an affiliate of the U.S. Chamber of Commerce. It will provide a forum for discussion, coordination and joint representation of the common business interests of the member organizations."

## THE ANNUAL WASHINGTON DOORKNOCK

In 1985, a small group of American business leaders from Saudi Arabia and Kuwait traveled to Washington, D.C. to present their views on commercial issues affecting American business in the Gulf. Every year since then, under the auspices of the U.S. Chamber of Commerce, American business representatives from Saudi Arabia have "knocked on Washington's door." In 1988, for the first time, this annual Washington Doorknock became a truly regional effort, involving representatives from the American business groups in several other GCC countries.

In May 1990, the delegation of Americans from the Gulf increased to 32 persons with representatives from all groups in the region except Oman. Doorknock teams reached more than 300 Congressional offices, as well as officials in the White House and Departments of Commerce, State, Treasury, and Defense. Business leaders from a variety of industries were also contacted.

Doorknock delegates present a strong pro-American case for positions developed by the ABCGC. While specific positions may vary from year to year, the ABCGC generally strives to promote:

- Mutually beneficial commerce between the U.S. and the GCC countries.
- Awareness in Congress and the Administration

about export conditions in the Gulf and actions required to increase U.S. economic competitiveness.

- Elimination of tariff and non-tariff barriers to the free and fair flow of trade and investment between the U.S. and these Gulf nations.
- American input into foreign standards-setting organizations in order to retain access to these markets for U.S. exports.
- U.S. tax policies that will enhance the competitiveness of American labor and U.S. companies working or doing business abroad.
- The sale, in keeping with the Administration requests, of U.S. defense equipment to GCC states. Directly or indirectly, this helps make the oil-rich Gulf region secure, avoids loss of important business to competition from other nations, and improves the U.S. balance of trade.
- An American foreign policy that recognizes the importance of the GCC countries to the United States and which results in the enhancement of U.S. business interests in the Middle East.
- Expatriate rights, on the belief that the more than 6 million Americans who live abroad are a crucial U.S. trade asset.

## The Voice of American Business in the Gulf

Though still young, the ABCGC has emerged as the voice of American business in the Gulf region. It is recognized both in the Gulf countries and in the U.S. as an opinion-forming body actively engaged in fostering trade, investment, and dialogue between its host countries and the United States.

The associations that make up the ABCGC have helped achieve several important successes in recent years.

### Increased Awareness

The ABCGC has increased general understanding of the importance of the United States long-standing commercial and political relationships with the GCC countries.

### Standards Development

The ABCGC has worked hard to ensure that the U.S., like its major commercial competitors, meets a long-standing request by the Saudi Arabian Government for assistance in developing its domestic product standards and, by extension, GCC-wide product standards. As a direct result of this effort, Congress has appropriated federal matching funds for a unique pilot program to provide U.S. input to the standards development process in foreign countries or regions. This legislation follows on the heels of an agreement, signed in January 1990, between the American-Saudi Roundtable and the U.S. National Institute of Standards and Technology, whereby a U.S. product standards expert has been assigned to work with the Saudi Arabian Standards and Specifications Organization in Riyadh, with assistance from ABCGC and its member associations.

### Tax Exclusion on Foreign Income

The ABCGC helped to ensure that the Tax Reform Act of 1986 retained a tax exclusion on foreign earned personal income, thus bolstering the competitiveness of Americans and American firms in overseas markets.

### Amendments to FCPA

The ABCGC argued for revisions to the Foreign Corrupt Practices Act (FCPA) to remove ambiguity which served to discourage U.S. business in the region. The Omnibus Trade and Competitiveness Act of 1988 clarified most of the major ambiguities in the language of the FCPA.

### Economic Impact of Foreign Military Sales

The ABCGC has promoted its belief that the economic impact and trade consequences to the United States must be considered when formulating foreign and national security policy. The U.S. Administration took an impor-

tant step in this direction by identifying the impact on the U.S. economy of the proposal to sell M1A2 main battle tanks to Saudi Arabia last year. This proposal went through without any Congressional resolution to oppose it. Previously, Congressional opposition to weapons sales to the moderate, friendly states of the Gulf forced Saudi Arabia to redirect from the United States for multi-billion-dollar military aircraft purchases to the United Kingdom.

American business groups in the Gulf region have consistently supported the view that there is no logic in driving clients to other suppliers and, as a result, renouncing the political influence, military control and the tens of thousands of jobs that such packages would inject into the U.S. economy. In providing security assistance to the friendly nations of the GCC, the United States benefits from billions of dollars in cash sales while helping to protect the economic lifeline between the Western world and its principal source of foreign oil.

## U.S. COMPANIES ACTIVE IN THE GULF

| U.S. FIRM NAME | STATE & ZIP |
|---|---|
| 3D Intl, Inc. | TX 77027 |
| A. T. & T. Intl, Inc. | NJ 07920 |
| A. T. Kearney Management Consultants | IL 60606 |
| Abbott Laboratories | IL 60064 |
| Ahmad Chaballout, M.D., P.C. | MI 48126 |
| Alexander & Alexander Intl | NY 10036 |
| Allen - Bradley Co. | WI 53204 |
| Alltransport, Inc. | NY 10004 |
| Altos Computer Systems | CA 95234 |
| American Bureau of Shipping | NJ 07653 |
| American Express Intl, Inc. | NY 10004 |
| American International Group, Inc. | NY 10270 |
| American Life Insurance Co. (ALICO) | DE 19899 |
| American Marketing Intl | FL 33140 |
| American Medical Intl | CA 90210 |
| American President Lines | CA 94612 |
| Ameron - Fiberglass | TX 77280 |
| Ameron, Inc. | CA 91754 |
| Amoco Production Company | TX 77079 |
| Analytical Systems Engineering Corp. | MA 01803 |
| Apple Computer, Inc. | CA 95014 |
| Arabian Offshore Intl Ltd. | TX 77252 |
| Arabian Shield Development Co. | TX 75231 |
| Arco Intl Oil & Gas Co. | TX 75026 |
| Arthur Andersen & Co | IL 60602 |
| Arthur D. Little, Inc. | MA 02140 |
| Arthur Young & Co. | NY 10172 |
| Associated Oil Tools, Inc. | TX 77042 |
| ATCO Development, Inc. | TX 77077 |
| Audio Visual Enterprises, Inc. | VA 22202 |
| AVCO Overseas Services - Textron | TX 77084 |
| Avis Rent-A-Car | NY 11530 |
| Aydin Corp. | PA 19044 |
| Aydin Systems Div. | CA 95119 |
| Baker CAC Intl Ltd. | LA 70037 |
| Baker Oil Tools, Inc. | TX 77011 |
| Bandag Inc. | IA 52761 |
| Barber Colman Co. | IL 61125 |
| BBDO Worldwide | NY 10019 |
| BDM Corp. | VA 22102 |
| Bechtel Group Of Companies | CA 94119 |
| Bell Helicopter Textron, Inc | TX 76101 |
| Bendix Field Engineering Corp. | MD 21045 |
| Black & Decker Corp | MD 21204 |
| Blount Intl Ltd | AL 36116 |
| Blue Cross Blue Shield of Delaware | DE 19899 |
| Boeing Co. | WA 98124 |
| Boeing Industrial Technology Group Corp. | WA 98124 |
| Bonner & Moore Intl, Inc. | TX 77019 |
| Bredero Price Intl, Inc. | TX 77060 |
| Bristol - Meyers | NY 10154 |
| Brown & Root Engineering & Constr Intl | TX 77001 |
| Brown, Daltas & Associates, Inc. | MA 02138 |
| Browning - Ferris Industries, Inc. | TX 77001 |
| Bryan, Cave, McPheeters & McRoberts | MO 63102 |
| Burndy Corp. | CT 06856 |
| Butler Manufacturing Co. | MO 64141 |
| BW/IP Intl, Inc., Pump Div | CA 90802 |
| BW/IP Intl, Inc., Seal Div | CA 90802 |
| Calgon Corp. | PA 15230 |
| California Garden Products, Inc. | CA 94949 |
| Caltex Petroleum Corp. | TX 75261 |
| Carrier Intl Corp. | NY 13211 |
| Caterpillar Tractor Co. | IL 61629 |
| CBI Industries, Inc. | IL |
| Celanese Chemical Co., Inc. | TX 75247 |
| Century-II Inc | SC 2956 |
| CH2M Hill | OR 97201 |
| Chadbourne & Parke | NY 10112 |
| Champion Chemicals, Inc. | TX 77042 |
| Charter Medical Corp. | GA 31210 |
| Chase Manhattan Bank N.A. | NY 10081 |
| Chevron Corp. | CA 94104 |
| Chicago Bridge & Iron Co. | IL 60522 |
| Cigna Worldwide | PA 19103 |
| CITIBANK | NY 10043 |
| Claud Laval Corp. | CA 93703 |
| Clorox Company | CA 94623 |
| Colite Industries, Inc. | SC 29171 |
| Computer Sciences Corp. | VA 22070 |
| Consolidated Freightways | TX |
| Contel | GA 30346 |
| Continental Can Co. | CT 06856 |
| Coopers & Lybrand | NY 10020 |
| Coudert Brothers | NY 10166 |
| Coutler Electronics INC. | FL 33010 |
| Cray Research, Inc. | MN 55402 |
| CRS Sirrine, Inc. | TX 77027 |
| Dames & Moore | CA 90071 |
| Dan River, Inc. | NY 10018 |
| Daniel Industries, Inc. | TX 77240 |
| Daniel, Mann, Johnson & Mendenhall | CA 90010 |
| Datavision, Inc. | DE 19901 |
| Davy, Inc. | OH 44131 |
| Deloitte & Touche | CT 06897 |
| DHL Corp., Inc. | CA94066 |
| Dow Chemical Intl | MI 48640 |
| Dresser Industries, Inc. | TX 75221 |
| Dresser Industries, Inc., Security Div | TX 75211 |
| Dresser Pump Division | NJ 07938 |
| Dresser Rand Co. | NY 14830 |
| Dynalectron | VA 22101 |
| E. I. Du Pont De Nemours & Co., Inc. | DE 19898 |
| Eagleton Engineering Co. | TX |
| Eastman Kodak Co. | NY 14650 |
| Elliot Co. | PA 15644 |
| EMCO Engineering | MA 02021 |
| Emery Airfreight Corp. | CT 06897 |
| Empire Intl | CA 94607 |
| Enterra Corp. | TX 77251 |
| Ernst & Young | OH 44115 |
| Eveready Battery Company, Inc. | MO 63164 |
| Express Resources Corp. | DC 20007 |
| Exxon Company, Intl | NJ 07932 |
| Falcon Express Forwarding Co. | CA 90813 |
| Fedders Intl, Inc. | NY 10036 |
| Federal Express Corp. | TN 38101 |
| Flame Control Systems, Inc. | CA 91105 |
| Florida West Airlines Inc. | NY 11566 |
| Fluor Daniel | SC 29602 |
| Fluor Daniel | CA 92730 |
| FMC Corp. | IL 60601 |
| Ford Motor Co. | MI 48096 |
| Foster Wheeler Corp. | NJ 08809 |
| Four Winds Intl | CA 92121 |
| Foxboro Co. | MA 02035 |
| Frank B. Hall Intl, Inc. | NY 10016 |
| Frank E. Basil Inc. | DC200058 |
| Gada Navigation USA, Inc. | NY 11696 |
| General Dynamics Intl Corp. | VA 22202 |
| General Electric Co. | KY 40225 |
| General Electric Co. | CT 06062 |
| General Electric Co. | NY 10022 |
| General Electric Co., Intl Sales & Services | NY 12345 |
| General Electric Information Serv. Co. | MD 20850 |
| General Electric Supply Co. | CT 06609 |
| General Motors Overseas Distr. Corp. | MI 48202 |
| General Tire Intl | OH |
| Geophysical Services Inc. | TX 75265 |
| Geotactics Architects & Engineers | CT 06511 |
| Gibson Dunn & Crutcher | NY 10166 |
| Gillette Co. | MA 02199 |
| Grant Thornton Intl | IL 60601 |
| Gray & Wendell | MA 02109 |

| U.S. FIRM NAME | STATE & ZIP |
|---|---|
| Greiner Engineering, Inc. | TX 75062 |
| Grumman Intl, Inc. | NY 11714 |
| Gulfwide Services, Inc. | TX 77056 |
| H B. Zachry Co. | TX 78285 |
| Halliburton | TX 75201 |
| Harco Corp. | OH 44256 |
| Harper Group, Circle Air Freight Corp. | CA 94107 |
| Harris Consulting Grp.,Inc. | CA 94612 |
| Harris Corp. | FL 32919 |
| Harris Corp., RF Comm Div | NY 14610 |
| Hawaiian Agronomics Co. | HI 96813 |
| Helmuth Obata & Kassabaum, Inc. (HOK) | MO 63102 |
| Henningson, Durham & Richardson, Inc. (HDR) | VA 22314 |
| Herman Smith Associates Intl | IL 60521 |
| Hewlett - Packard Co. | CA 94304 |
| Hill Intl Inc. | DC 20005 |
| Hilton Intl Co. | NY 10158 |
| HLW Intl | NY 10016 |
| Holiday Inns, Inc. | TN 38118 |
| Holmes & Narver Intl | CA 92668 |
| Honeywell, Inc. | MN 55408 |
| Hoover Co. | OH 44720 |
| Hospital Corp. of America | TN 37202 |
| Hughes Aircraft Co. | CA 90009 |
| Human Resources Development Intl | GA 30067 |
| Hyatt Intl Corp. | IL 60606 |
| Hydraulic Research Textron, Inc. | CA 91355 |
| IBM World Trade Corp. | NY 10601 |
| IMO Delaval, Inc. | NJ 08648 |
| Ingersoll - Rand Co. | NJ 07675 |
| Inter - Continental Hotel Corp. | NJ 07645 |
| Interstate Resources | VA 22209 |
| Intl Agriculture Consultants | AZ 85719 |
| Intl Housing Associates | MO 64113 |
| Intl, Inc. | TX 77027 |
| Intraco Corp. | MI 48083 |
| John Crane - Houdaille, Inc. | IL 60053 |
| Johnson & Higgins | NY 10004 |
| Johnson & Johnson Intl | NJ 08933 |
| Johnson Controls Inc. | WI |
| Jones Day Reavis & Pogue | NY 10022 |
| Kelvinator Intl Corp. | PA 15220 |
| Kendall Intl | MA 02110 |
| King - Wilkinson, Inc. | TX 77040 |
| Kite, Inc. | IN 46226 |
| Klis Corp. | CA |
| Kulpan Corp. | PA 19104 |
| Law Engineering Co. | GA 30356 |
| Layne & Bowler, Inc. | TN 38108 |
| Leading Hotels of the World | NY 10017 |
| Lear Siegler, Inc., Mgmt Services Div | OK 73136 |
| Leo M. Daly | NE 68114 |
| Leslie Corp. | TX 77060 |
| Lindsay Intl Sales Corp. | TX 77056 |
| Litton Computer Services | CA 94039 |
| Litton Industries (DCS) | CA 91301 |
| Lockheed Corp. | CA 91399 |
| Lubrizol Corp. | OH 44092 |
| Lummus Crest, Inc. | NJ 07003 |
| M.A.M. Intl & Hisham M. Mosely | CA 94563 |
| M.W. Kellogg Co. | TX 77046 |
| MADCO U.S.A. | IL 60047 |
| Marriott Corp., Hotel Div | DC 20058 |
| Marsh & McLennan, Inc. | NY 10036 |
| McClelland Engineers, Inc. | TX 77274 |
| McCormack & Dodge | MA 01760 |
| McDermott Intl, Inc. | LA 70160 |
| McDonnell Douglas Corp. | MO 63166 |
| McGraw - Edison, Power Systems Div | GREECE |
| Meridien Marketing Corp. | NY 10022 |
| Merrill Lynch Capital Markets | NY 10281 |
| Metcalf & Eddy, Inc. | MA 01888 |
| Micrographics Systems Technology Corp. | VA 22180 |
| Midew Consultants | AR 72642 |
| Milpark Drilling Fluids | TX 77227 |
| Minnesota Mining & Manufacturing Co. | MN 55144 |
| Minnesota Mining & Manufacturing Co. (3M) | MN 55133 |
| Mobil Oil Corp. | NY 10017 |
| Mobile Marine Transportation Ltd. | NY 10017 |
| Moller Steamship Co. - Maersk Lines | NY |
| Mutual Trading Corp. | IL 60606 |
| Nalco Chemical Co. | IL 60566 |
| National Gypsum Co. | FL 33167 |
| National Medical Enterprises, Inc. | CA 90406 |
| Navistar Intl Transportation Corp. | IL 60611 |
| NCR Corp. | OH 45479 |
| Nelson Electric | OK 74101 |
| NL Industries, Inc. | TX 77251 |
| North American Intl | IN 46801 |
| Northrop Corp. | CA 90067 |
| NUS Corp. | MD 20878 |
| Oceaneering Intl Inc. T | X 77084 |
| Oracle Corp. | CA 94002 |
| Otis Elevator Co. | CT 06032 |
| Owens-Corning Fiberglass Corp. | OH 43659 |
| Pacear Inc. | WA 98009 |
| Pacific Architects & Engineers | CA 90017 |
| Pan Am World Services | FL 32920 |
| Pan American World Airways | NY 10166 |
| PE Systems, Inc. | VA 22312 |
| Peat Marwick Mitchell & Co. | NY 10105 |
| Pepsi Cola Intl | NY 10589 |
| Petroleum Translation and Publishing | DC 20036 |
| Philip Morris Intl Inc. | NY 10017 |
| Pioneer Balloon Co. | KS 67208 |
| Pitt - Des Moines, Inc. | PA 15225 |
| Pittsburg Corning Corp. | PA 15239 |
| Polaroid Corp. | MA |
| Pool Co. | TX 77042 |
| Pratt & Whitney | FL 33400 |
| Preformed Line Products Co. (APRESA) | OH 91129 |
| Price Waterhouse | NY 10020 |
| Procter & Gamble Co. | OH |
| Ralph M. Parsons Co. | CA 91124 |
| Ramada Hotels Intl | AZ 85001 |
| Raychem Corp. | CA 94024 |
| Raymond Intl Builders, Inc. | TX 77056 |
| Raytheon Co. | MA 01730 |
| Reading & Bates Drilling Co. | TX 77279 |
| Resource Sciences Corp. | CA 92668 |
| Rockwell Intl | PA 15219 |
| Rosemount, Inc. | MN 55435 |
| RPM Carboline Co. | MO 63144 |
| Russell & Axon, Inc. | FL 32020 |
| Safeway Stores, Inc. | CA 94660 |
| Santa Fe Intl Corp. | CA 91802 |
| Schenker Intl Forwarders, Inc. | NY 10048 |
| Science Applications Intl Corp. (SAIC) | VA 22102 |
| Sea - Land Services Co., Inc. | NJ 07207 |
| SGS Control Services, Inc. | NY 10004 |
| Shearson Lehman Bros., Inc. | NY 10285 |
| Shell Oil Co. | TX 77001 |
| Sheraton Corp. | MA 02109 |
| Sherwin - Williams Co. | OH 44115 |
| Siemens - Allis, Inc. | GA 30338 |
| Sigmaform Corp. | CA 95051 |
| Sit Construct Intl Inc. | TX 77056 |
| Smith Drilling Systems | TX 77032 |
| Smith Meter, Inc. (A Moorco Co.) | PA 16514 |
| Smith Tool Intl | CA 92713 |
| Square D Co. | IL 60067 |
| SRI Intl | CA 94025 |
| Stone & Webster Engineering Corp. | MA 02107 |
| Storage Technology Corp. | CL 80028 |
| Stouffer Corp. | OH 44139 |
| Surrey & Morse | DC 20005 |
| Sverdrup Corp. | MO 63101 |
| Swiss Intl Hotels | DE 19801 |
| Syska and Hennessy | NY 10036 |
| Sysorex Intl Inc. | CA 95014 |
| T.J. Cope, Inc. | PA 19246 |
| Technical Management Services | CA 90010 |
| Technology World, Inc. | MA 02173 |
| Teledyne Aefa - Cal | CA 92069 |
| Teledyne Analytical Instruments | CA 91749 |
| Teledyne Battery Products | CA 92373 |
| Teledyne Big Beam | IL 60014 |
| Teledyne Brown Engineering | AL 35807 |
| Teledyne Continental Motors | MI 49442 |
| Teledyne Controls | CA 90064 |
| Teledyne Electronics | CA 91320 |
| Teledyne Energy Systems | MD 21093 |
| Teledyne Ryan Aeronautical | CA 92138 |
| Teledyne Ryan Electronics | CA 92123 |
| Teledyne Sprague Engineering | CA 90248 |
| Teledyne WaterPik | CO 80525 |
| Teledyne, Inc. | CA 90067 |
| Terracon Consultants, Inc. | IA 52406 |
| Texaco Chemical Co. | TX 77401 |
| Texaco, Inc. | NY 10655 |
| Texas Iron Works/Pearce Industries | TX |
| Thomasson Mills, Inc. | GA 30286 |
| Tidewater Marine Services | LA 70112 |
| Townsend & Bottum, Inc. | MI 48106 |
| Trane Co. | WI 54601 |
| Trans World Airlines, Inc. | NY 10549 |
| Trayer Engineering | CA 94107 |
| TRYCO, Inc. | VA 22101 |
| Twin Cities Sales Center - 3M | MN 55121 |
| Union Carbide Corp. | CT 06817 |
| Unisys Corp. | NY 11020 |
| United States Sports Academy | AL 36526 |
| United States Testing Co. | NJ 07030 |
| UOP, Inc. | IL 60017 |
| URS Intl | DC 20036 |
| Valicenti, Jordan & RAE, P.C. | NY 10005 |
| Valtek Incorporated | UT 84663 |
| Vetco Gray, Inc. | TX 77092 |
| Vinnell Corp. | VA 22030 |
| Vulcan Materials Co. (VMC) | AL 35253 |
| Wang Laboratories | MA 01851 |
| Waste Management, Inc. | IL 60521 |
| Weatherford Int Inc. | TX 77227 |
| Western Geophysical Company of America | TX 77252 |
| Westinghouse Electric Corp. | MD 21203 |
| Westinghouse Electric Corp. | PA 15222 |
| Westinghouse Electric Corp., Ind Serv Div | PA 15220 |
| Westinghouse Electrical Supply Co. | PA 15222 |
| White & Case | NY |
| William Brothers Engineering Co. | OK 74177 |
| Worthington Intl, Inc. | NJ 07092 |
| Wotek Corp. | NJ 08857 |
| Wyse Technology | CA 95134 |
| Xerox M. E. & North AfricaOperations | CT 06904 |
| York Intational Corp. | PA 17405 |
| Zapata Gulf Marine Corp. | TX 77210 |

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# The ABCGC and the Gulf

## *An Asset to the Nation*

- During Operations Desert Shield and Desert Storm, members of the ABCGC and the American community in the Gulf provided direct support to tens of thousands of U.S. troops stationed in the region. Some of their support programs included "Operation Scrub and Grub," "Operation Desert Thirst," "Operation Desert Outreach," and others. Members of the ABCGC "are gratified in the knowledge that they have been able to make a contribution to their countrymen and, by so doing, their country."

- With the end of the Gulf war, the ABCGC now plays a pivotal role in the rebuilding of Kuwait. As the voice of American business in the region, the ABCGC serves as a resource and conduit for government contacts, local vendors, and a host of goods and services. The ABCGC's "Electronic Bulletin Board" provides companies with the latest information on opportunities for involvement in Kuwait's reconstruction efforts.

- A milestone for American competitiveness, the U.S.-GCC Standards Pilot Program has proved to be a tremendous success during its first year of operation. Jointly sponsored by the U.S. Government and America's private sector, the program has America's trade competitors scrambling to keep up. Momentum is building fast for a similar program with Kuwait. (For full details, see "Promoting U.S. Product Standards Abroad.")

- In the aftermath of the Gulf war, American companies are expected to secure some 70 percent of the contracts to rebuild Kuwait. However, because of America's discriminatory tax laws, these contracts will not necessarily translate into employment opportunities overseas for Americans. The ABCGC, in response, has urged its member companies to "Hire American." (For full details, see "Competitive Tax Treatment for Americans Abroad.")

- The Gulf war illustrated dramatically the extent to which the United States is prepared to protect its interests in the region. The ABCGC supports security assistance to our Gulf allies for many reasons: it fulfills their legitimate defense needs, it reduces the chances that Americans will be called upon to fight another Gulf war anytime soon, and it stimulates the recession-bound U.S. economy by creating jobs, reducing the trade deficit, and generating tax revenues. (For full details, see "Security Assistance to the GCC Countries.")

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April 1991

# The ABCGC and the Gulf

## *An Asset to the Nation*

For many members of the American Business Council of the Gulf Countries, the April "Doorknock" in Washington represents the first opportunity that they have had to come home since the outbreak of hostilities last August. While a number of foreign companies evacuated from the Gulf Cooperation Council nations en masse in the aftermath of Iraq's invasion of Kuwait, American companies, by and large, stayed put — thereby earning the respect and gratitude of the GCC countries and their citizens.

The U.S. Armed Forces have done a superb job of liberating Kuwait and protecting American interests in the region. In its own way, the ABCGC played an instrumental role in the recent successes of our GIs. Over the past eight months, since the U.S. buildup in the area began, the American community there has provided direct support to tens of thousands of U.S. servicemen and women in the region. The ABCGC is proud of its early and ongoing support.

For the most part, the job of the U.S. Armed Forces in the Gulf is done. But the fight to promote U.S. commercial interests in the area rages on. The ABCGC, the voice of American business in the Gulf, will continue to serve on the front lines in the ongoing battle to defend America's market share in the region. Experience has shown that this is a war that will be waged for years to come.

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In many respects, Operations Desert Shield and Desert Storm have paved the way for a new era in U.S.-GCC commercial and political relations. American companies, riding a crest of goodwill in the aftermath of the Gulf war, are better positioned to secure business in the region than they have been for nearly four decades. With the same enthusiasm that they showed in supporting Operations Desert Shield and Desert Storm, ABCGC member groups have been actively involved in reconstruction efforts in Kuwait.

## HOME AWAY FROM HOME:
## Operation Desert Shield and the ABCGC

Since last August, members of the ABCGC and the American community in the Gulf have provided support to thousands of American troops stationed in the area. Such support, offering U.S. servicemen and women a "home away from home," has taken many forms.

**"Operation Scrub and Grub"** ushered several thousand troops into American homes each week for hot showers and home-cooked meals,phone calls to the States, and an opportunity to spend time in a family atmosphere. In the United Arab Emirates alone, 300

American families have provided more than 4,000 meals to hungry troops. One American in Jubail, on the east coast of Saudi Arabia, left a key under the doormat of his house when he had to leave town for a few weeks; dozens of troops were able to make themselves at home because of his trust and generosity. One grateful serviceman from Tuscaloosa, Alabama expressed the gratitude of thousands of GIs when he said, "They really opened their hearts, and playing with the kids was the best part . . . . Leaving is going to be bad."

*"Operation Scrub and Grub" ushered several thousand troops into American homes each week for hot showers and home-cooked meals,phone calls to the States, and an opportunity to spend time in a family atmosphere.*

When troops on the front lines were not allowed to leave their posts, "Operation Desert Thirst" came to the rescue. Caravans of American families, laden with such goods as cold soft drinks, portable popcorn poppers, cassette tapes, cigars, and food of every variety, took their four-wheel drive vehicles straight to the trenches. A grateful member of the U.S. Army described his experience this way: "One day, from out of the hot blazing sun they came . . . . When the smoke cleared and the dust settled [there] stood two American civilians. They brought with them cold sodas, newspapers, and even took pictures of us to send back to our loved ones . . . . Thank you for your support and time to come and visit us, and for one great day in this desert hell." Over time, Operation Desert Thirst expanded to include such donations as fax machines, VCRs, and weightlifting equipment.

*Thank you for your support and time to come and visit us, and for one great day in this desert hell."*

Not everyone could take time out during the week to help, so "Operation Desert Outreach" sent convoys out on the weekend. Loaded with portable grills and thousands of pounds of hamburgers and hot dogs, members of the American community staged cookouts to support the troops. At one such gathering, more than 5,000 Marines were served in one location alone.

In addition to helping to organize these programs, ABCGC member groups found many other ways to support the U.S. Armed Forces. At Christmas, one community sent six Santas into the field to wish the troops a happy holiday. In mid-February, the American community in the Eastern Province of Saudi Arabia sent the troops a computer-paper valentine, one that stood nearly a foot high, with thousands of messages. Others showed their support by staging home-grown talent shows or arranging hospital visits for the wounded. One American, recognizing the financial hardships faced by some Patriot crews' families in the U.S., created a tax-free fund to offer a helping hand.

*American civilians in the Gulf, in the words of one ABCGC member, "are gratified in the knowledge that they have been able to make a contribution to their countrymen and, by so doing, their country."*

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## REBUILDING KUWAIT: The ABCGC's Vital Role

With Kuwait liberated by the coalition forces, composed primarily of Americans, attention has suddenly focused on the rebuilding of that nation. In the ensuing "gold rush" to get involved in Kuwait's reconstruction and to reap the lion's share of contracts, thousands of American companies are seeking a toehold in the region for the first

time. Such involvement in Kuwait is no new phenomenon for the ABCGC, which has had a presence in there for years and which has been assisting reconstruction groups in the region for months.

In the same way that the ABCGC served as a resource to the U.S. Armed Forces when American troops first began arriving in Saudi Arabia, so too has the ABCGC worked hand-in-hand with Saudi-based — and now Kuwaiti-based — organizations involved in the rebuilding of Kuwait. The ABCGC has been a conduit for local vendors, support staff, government contacts, and a host of goods and services.

ABCGC members in the Eastern Province of Saudi Arabia have established an "Electronic Bulletin Board," available to all companies, to monitor the assessment of damages in Kuwait and to keep firms apprised of current developments there. While the rebuilding of Kuwait is inevitable, U.S. companies will have to be aggressive in their efforts to obtain contracts. The ABCGC's electronic bulletin board serves as an excellent resource for emerging information.

The ABCGC also continues to serve as a resource to the Kuwait Emergency Response Office, Kuwait Task Force Enterprises, the U.S. Department of Commerce, and a variety of private sector organizations.

## A MILESTONE FOR AMERICAN COMPETITIVENESS: U.S.-GCC Standards Pilot Program

With the race to secure business in Kuwait, many American companies are looking to get involved in the Gulf for the first time. What they may not realize is that the U.S. share of the regional market has over the years been shrinking rather than growing. Throughout the 1980s, America's market share in the Gulf dropped steadily.

There have been many factors involved in the decline of American competitiveness in the region, but one key reason has had to do with product standards. As GCC nations came to adopt an increasing number of European and Asian specifications, many U.S. businesses found themselves being "spec'd out" of the Gulf.

*. . .well over 100 have been returned to Saudi Arabia and written into SASO's codes, a fact that has America's trade competitors scrambling to replicate the SASO program.*

In recent years, to reverse this trend, the ABCGC laid the groundwork to establish a U.S. standards pilot program in conjunction with the Saudi Arabian Standards and Specifications Organization (SASO). Last year — with the strong support of Congress, the Administration, and a private sector coalition including the U.S. Chamber of Commerce, the National Association of Manufacturers, the Northeast-Midwest Coalition and the American-Saudi Roundtable — the ABCGC's pilot program became a reality.

In its first year of operation, the SASO program, jointly funded by the U.S. Government and America's private sector, has been tremendously successful. The American products standards advisor in Saudi Arabia has sent 225 draft standards to the U.S. private sector and the National Institute of Standards and Technology (NIST) for input. Of these, well over 100 have been returned to Saudi Arabia and written into SASO's codes, a fact that has America's trade competitors scrambling to replicate the SASO program.

[For a full account of the SASO program, see the ABCGC's position paper entitled "Promoting U.S. Product Standards Abroad: Pilot Program Provides Unique Public/Private Sector Success Story."]

*The U.S. Embassy in Riyadh, describing the standards program as "superbly productive . . ."*

The U.S. Embassy in Riyadh, describing the standards program as "superbly productive," says this: "Though badly outnumbered by the

competition, our adviser is well on his way to becoming a major influence at SASO and is starting to undo damage caused by years of U.S. non-involvement in Saudi standards-making."

Because of the success of the SASO program, momentum is building fast for a comparable program with Kuwait, the Kuwait-U.S. Standards Program (KUSP). Such a program would help to speed Kuwait's reconstruction and pave the way for U.S. business involvement there for many years to come.

## TAX DISCRIMINATION: A Disincentive to U.S. Trade and Employment

The failure of the United States to aggressively push its own product standards overseas is only one way in which America has suffered serious setbacks in its export promotion efforts. Discriminatory tax treatment of Americans abroad also serves as a disincentive to U.S. competitiveness and trade.

*"In large part because of our nation's skewed tax structure, the sad truth is that most Americans seeking employment in the Gulf will come away empty-handed . . . ."*

In the aftermath of the Gulf war, it is anticipated that American companies will secure approximately 70 percent of the contracts to rebuild Kuwait. Regrettably, in large part because of harmful U.S. tax policies, this will not necessarily translate into tens of thousands of overseas job opportunities for Americans.

Among the world's industrialized nations, only the United States taxes its citizens abroad based on citizenship rather than residence. As a result, the cost of employing Americans overseas is considerably higher to the employer than is the hiring of other foreign nationals. Even if U.S. companies prefer to hire Americans overseas, they are often bound to employ lower-cost foreign labor in order to stay competitive with other nations' firms, which do not suffer from such discriminatory tax treatment. It is time to get our heads out of the sand on this issue before American competitiveness suffers irreparable damage.

*". . . We must encourage U.S. companies operating in the region to employ Americans whenever possible. Our labor force is the best in the world, and it must not be held hostage by laws that discriminate against U.S. business."*

Freezing out American employees has indirect consequences as well. Because Americans overseas tend to do business with U.S. producers and suppliers, they contribute significantly to demand for U.S. goods and services abroad. If these jobs are offered up to non-Americans, as experience has shown time and again in the Gulf, they tend to do business with their home countries rather than with the United States. Direct and indirect losses to U.S. firms worldwide through this discriminatory tax policy are staggering.

Denying jobs to Americans because of such tax policies is a setback to U.S. competitiveness. In a March memo to each of the ABCGC member organizations, ABCGC Chairman Theodore F. Bevec urged U.S. companies to "Hire American." Bevec stated: "In large part because of our nation's skewed tax structure, the sad truth is that most Americans seeking employment in the Gulf will come away empty-handed . . . . We must encourage U.S. companies operating in the region to employ Americans

whenever possible. Our labor force is the best in the world, and it must not be held hostage by laws that discriminate against U.S. business."

Unless tax laws change to reflect the needs of U.S. employers and employees alike, jobs that should go to Americans will continue going to non-Americans instead.

[For a more comprehensive look at these tax policies, see the ABCGC's position paper entitled "Competitive Tax Treatment for Americans Abroad: Creating Jobs at Home."]

## SERVING THE U.S. NATIONAL INTEREST: Security Assistance to the GCC

As Operations Desert Shield and Desert Storm attest, the United States is prepared to fight to defend its friends in the Gulf. As Congress ponders upcoming security assistance to the GCC nations, the ABCGC emphasizes that such sales serve the U.S. national interest in a variety of ways.

The moderate, friendly GCC nations have legitimate defense needs. The United States, in assisting these countries to develop credible defense capabilities and to deter aggression on their own, helps to reduce the possibility that American servicemen and women will be called upon to fight another Gulf war anytime soon. No nation is better prepared to strengthen the Gulf nations' self-defense than is the United States, a reliable ally.

Unlike most other nations which receive security assistance from the United States, the GCC countries pay "cash on the barrelhead." As such, defense sales to these nations generate direct income, reduce the trade deficit, and provide tax revenues to the U.S. Government. No matter how one looks at it, this is good for America's recession-bound economy.

Security assistance to the GCC nations also generates thousands of jobs here in the United States in both direct sales and follow-on support. As the United States seeks ways to keep its defense industrial base "warm," supplying the GCC nations' defense needs provides an excellent means of supporting America's friends in the region and preserving jobs here at home. Moreover, as experience in the Gulf has shown, the GCC nations will simply purchase their defense systems elsewhere if the U.S. ignores those nations' requests for support.

***Offering security assistance to our Gulf allies, particularly in the aftermath of the recent war there, is an important part of ensuring America's ongoing strategic role in the Gulf.***

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[For a fuller account of the role that U.S. defense sales play, see the ABCGC position paper entitled "Security Assistance to the GCC Countries: Serving America's National Interests."]

# AN ASSET TO THE NATION:
# The ABCGC, Now More Than Ever

In its support of America's troops, U.S. competitiveness overseas, and American interests in the Gulf, the ABCGC has proved itself time and again to be an asset to the nation. Member organizations of the ABCGC play a vital role in promotifig strong ties to the GCC nations at all levels: political, commercial, strategic, and cultural. Moreover, as the voice of American business in the region, the ABCGC is uniquely positioned to continue serving as a private sector resource in the rebuilding of Kuwait.

*As the voice of American business in the region, the ABCGC is uniquely positioned to continue serving as a private sector resource in the rebuilding of Kuwait.*

*"Now, more than ever, the ABCGC is the key to unlocking new opportunities in the Gulf. At this critical juncture in U.S.-GCC relations, we will continue to establish ourselves as a key resource to the U.S. Government and America's private sector."*

As the United States contemplates its current status in the Gulf, many will look to the ABCGC to play an even greater leadership role in the future than it has in the past.

Put another way, in the words of ABCGC Chairman Theodore F. Bevec, "Now, more than ever, the ABCGC is the key to unlocking new opportunities in the Gulf. At this critical juncture in U.S.-GCC relations, we will continue to establish ourselves as a key resource to the U.S. Government and America's private sector."

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# The American-Saudi Standards Pilot Program

## *A Milestone for American Trade and Competitiveness*

- The ability to harmonize product standards and to push those standards overseas is quietly becoming an integral part of many nations' export promotion strategies. Nowhere has this been more clear than in the Gulf, where Japan has recently replaced the United States as the leading exporter to the region.

- Last year, to recapture lost market share in the Gulf, the U.S. Government and America's private sector teamed up to fund a product standards pilot program in Saudi Arabia. On the Saudi side, the program is coordinated with the Saudi Arabian Standards Organization (SASO).

- The first of its kind anywhere in the world, the SASO program, in the words of the U.S. Embassy, has been "superbly productive" during its first year in operation. The American standards advisor in Riyadh has already sent more than 225 draft standards to the U.S. for comments. The pilot program has been so successful, in fact, that America's trade competitors are scrambling to replicate it.

- The success of the SASO program suggests that more extensive cooperation between America's private and public sectors holds great promise for enhancing our nation's competitiveness. This is particularly important now, as American companies look to secure the lion's share of contracts in the rebuilding of Kuwait.

- In addition to pushing American product standards more aggressively overseas, the United States should consider these additional steps toward promoting trade: increasing funding for America's export promotion programs and our commercial representation abroad; enacting anti-trust legislation for American companies overseas; further rationalizing U.S. export controls.

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April 1991

# THE AMERICAN-SAUDI STANDARDS PILOT PROGRAM

*A Milestone for American Trade and Competitiveness*

## Origins of the Program

For more than 15 years, the Government of Saudi Arabia requested that an American advisor, one with the official backing of the U.S. government, be sent to work with the Saudi Arabian Standards Organization (SASO) in developing product standards. Because of long-standing disagreements between America's private and public sectors over who should cover the costs of promoting U.S. product standards abroad, the Saudis' request went unanswered.

During this same period, standards specialists from other nations--including the United Kingdom, France, Germany, Belgium, Japan, New Zealand, and others--went to Saudi Arabia to assist SASO in drafting product standards. By the end of the 1980s, more than ten countries had sent standards experts to Saudi Arabia to serve as resources to SASO. Not one of these was American. The result was that American companies soon found themselves being "spec'd out" of the Gulf by their competitors. In the 1980s alone, U.S. market share of Saudi Arabia imports plummeted by more than 50 percent in less than 10 years -- in part because standards being adopted by the Saudis were not compatible with products manufactured by U.S. companies.

The American Business Council of the Gulf Countries (ABCGC), recognizing that U.S. competitiveness in the region was in jeopardy, launched a campaign in the late 1980s to reverse this deteriorating situation. They advocated sending a U.S. Government-sponsored standards specialist to Saudi Arabia to work with SASO and to ensure that Saudi product standards were compatible with those of the United States. The ABCGC found some very receptive ears in Washington.

## The SASO Program: A Unique Public/Private Sector Model

At the urging of the ABCGC, Congress began laying groundwork in 1988 for a U.S. Government role with private industry in the standards pilot program. With instrumental support from Representative Mervyn Dymally (D-CA), Senator Orrin Hatch (R-UT), and other key members of Congress and the Administration, the program became a reality in 1990.

In addition to drawing support from key members of Congress and the Administration, the pilot project has the solid backing of the U.S. Chamber of Commerce, the National Association of Manufacturers, the Northeast-Midwest Coalition, the American/Saudi Roundtable, and numerous top U.S. companies.

The American/Saudi Roundtable has been responsible for raising corporate funds for the pilot program and working with NIST to coordinate the dissemination of draft standards to U.S. industry for comment.

The pilot program is the first of its kind anywhere in the world. It is funded by matching monies, up to $250,000 annually, which are provided by the U.S. Government and America's private sector. By drawing on expertise and funding from the federal government and U.S.

corporations alike, the program brings out the best that America has to offer.

How does it work? The Director of the program is located at the U.S. Embassy in Riyadh and works with SASO in their standards development. The Director obtains copies of SASO's draft standards and relays this information back to the National Institute of Standards and Technology (NIST), the U.S. Department of Commerce interface for the program, which then circulates the draft standards among private industry groups, trade associations, and applicable standards organizations for comments. NIST coordinates those comments and transmits them back to the Director of the pilot program in Saudi Arabia. The Director communicates these comments to SASO, and monitors and expedites the progress of these U.S. recommendations as SASO revises its draft standards. The Director also serves as an interface between the U.S. and SASO on certification and testing matters, technology exchange, and the training of SASO personnel.

## SASO After One Year: "Superbly Productive"

The first U.S. standards advisor was sent to Saudi Arabia in early 1990. During its first year of operation, the SASO program has been tremendously successful. The American advisor in Riyadh has sent 225 draft standards to NIST for comment, and more than 120 of these have already been returned to Saudi Arabia, where they have been very well received by SASO. (Roughly speaking, this represents the number of standards that SASO approves in three years.) The pilot program has been so successful, in fact, that America's trade competitors are considering replicating it.

The U.S. Embassy in Riyadh, describing the program as "superbly productive," says this: "Though badly outnumbered by the competition, our advisor is well on his way to becoming a major influence at SASO and is starting to undo damage caused by years of U.S. non-involvement in Saudi standards-making." Though the program is modest in scope, it is already proving its ability to yield immense political and commercial returns for the United States.

Draft standards handled by the SASO program have run the gamut of U.S. industry, offering benefits to large and small firms alike as shown below:

- Appliances
- Electrical Equipment
- Construction Materials
- Food and Agricultural Products
- Automobiles and Trucks
- Tires
- Earth Moving Equipment
- Medical Equipment
- Cosmetics and Toiletries
- Paper Products
- Children's toys
- Fire Extinguishers
- Textile and Fabric Products
- Paints

## Why is the SASO Program Important?

The ability to harmonize product standards and to push those standards overseas is quietly becoming an integral part of many nations' export promotion strategies. Over the next decade, Saudi Arabia is expected to spend some $15 billion on capital improvements to its petroleum products industries alone. The reconstruction of Kuwait, too, is expected to cost somewhere between $50 - $100 billion. These are huge markets that America cannot afford to be "spec'd" out of. Kuwait reconstruction efforts and the SASO program notwithstanding, the trend for American companies in the Gulf has not been heartening: Japan has replaced the U.S. as the leading exporter to the region, and the European Community share of the Saudi import market is now more than double the U.S. share--even before EC '92.

The U.S. Embassy in Riyadh has estimated that if standards in the Gulf states were fully harmonized for U.S. products, American exports would increase by as much as half a billion dollars per year. Over the long run,

this would generate tens of thousands of additional jobs in the United States and huge federal tax revenues.

As EC '92 suggests and as U.S. firms' experience in the Gulf makes clear, the ability of American industry to compete in the international marketplace faces a serious challenge. A failure to respond now will only decrease U.S. access to key markets in the Gulf and elsewhere around the world.

## Bolstering U.S. Competitiveness Overseas

The success of the SASO program suggests that more extensive cooperation between America's private and public sectors represents an important potential step toward enhancing our nation's competitiveness. The importance of the GCC market to world traders cannot be overemphasized. The Gulf Cooperation Council bloc of six nations:

- has adopted free enterprise as the model for its economic future;
- lies at the crossroads between Europe, Asia and Africa;
- has an abundant supply of vital energy;
- has ready capital to co-invest;
- has an ultra-modern infrastructure;
- offers comparative economic advantages in energy and capital, low-cost loans, free industrial land and repatriation of profits; and
- already hosts hundreds of U.S. firms and 35,000 civilian Americans.

The United States must arrest the downward spiral of its market share in the GCC nations. **If we had retained the same market share as we had in 1982, we would have had at least an extra $2 billion in export sales and put 50,000 more Americans to work.**

The economies of the six GCC countries stand on the threshold of a major business expansion. Particularly in the aftermath of the Gulf war, there are significant opportunities in this region to expand export sales and help to offset America's mounting trade and budget deficits. The United States must take steps to enhance its competitiveness in this market.

## What Else Should Be Done?

### Continue Promotion of U.S. Standards

The pilot program with SASO, in operation for one year, has met with outstanding success and has demonstrated the merits of the private and public sectors working together in standards development to enhance U.S. exports.

- **We urge Congress to continue to provide funds for this far-sighted export promotion tool.**

### Trade Promotion

Also worthy of consideration are these options designed to bolster our country's position:

- U.S. Government funding should be increased for federal export promotion programs and for enhanced commercial representation abroad. Beefing up America's allocation of manpower and program resources would provide a badly needed boost to America's presence in the highly competitive international marketplace.

- A U.S. Government office should be established to coordinate America's trade promotion. At present, such promotion is badly fragmented across a broad range of agencies. Thus, there is little accountability and considerable duplication of effort.

- With a view toward bolstering American competitiveness, Congress should enact anti-trust relief for U.S. companies abroad. Existing legislation unreasonably inhibits collective U.S. action overseas and creates unnecessary comparative advantages for America's competitors.

- America must further rationalize its export controls. The list of goods and technologies currently subject to export controls needs a thorough review to ease the bureaucratic burden on American business.

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# Competitive Tax Treatment for Americans Abroad

## *Creating Jobs at Home*

- In the aftermath of the Gulf war, there will be tremendous opportunities for U.S. business in the region. However, because of our nation's discriminatory tax treatment of Americans abroad -- which serves as an obstacle to trading with the U.S. -- American companies and American labor may well lose out to foreign competition.

- The U.S. currently has a system of "double taxation" for its citizens who live and work overseas. This results in a more expensive work force. To stay competitive, American companies overseas often must hire non-American employees -- employees who do not require additional compensation for "double taxation."

- Experience shows that expatriates tend to order products and services from their home countries. Thus, fewer Americans abroad means fewer opportunities for American companies to participate in growing export markets.

- Congress can turn this counterproductive situation around by enacting legislation which: 1) adopts the practice of taxing residence rather than citizenship; 2) increases the current exclusion under Section 911 of the Tax Code; or 3) eliminates U.S. taxation on foreign earned income and allowances.

- More appropriate tax treatment for Americans overseas would reduce the U.S. trade deficit, stimulate America's economy, and create more jobs in the United States.

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April 1991

# Competitive Tax Treatment for Americans Abroad

*Creating Jobs at Home*

## American Expatriates Ask for U.S. Goods and Services

In the aftermath of the Gulf war, there will be tremendous opportunities for U.S. business in the region. However, because of our nation's discriminatory tax treatment of Americans abroad -- which serves as an obstacle to trading with the U.S. -- American companies may well lose out to the foreign competition once competitive bidding begins anew in the Gulf.

Give our country an equal chance! American business wants to expand its export frontiers, and it is time to put an end to U.S. tax laws which discriminate against American companies and employees and endanger U.S. competitiveness.

What is the significance of this tax discrimination in practical terms? Among other things, it means that American employees, though they are frequently better qualified than anyone else in the world, may prove to be too expensive to hire as a result of America's unique tax structure. Even the rebuilding of Kuwait, expected to generate contracts for hundreds of U.S. companies, is unlikely to translate into many new jobs for Americans overseas. Because of America's system of "double taxation," a significant number of U.S. companies in the Gulf, in order to stay competitive, will end up hiring non-Americans. This is especially true in low-tax countries like Saudi Arabia and the other Gulf states.

Because experience has consistently shown that expatriates tend to order products from their home countries, fewer Americans working abroad means fewer orders being placed overseas for U.S. goods and services. In the end, the ongoing reduction of U.S. expatriates severely limits the access of American ventures and companies to participate in growing export markets.

How can this counterproductive situation be turned around? The U.S. Congress should enact legislation which: 1) Adopts the practice of taxing residence rather than citizenship; 2) Increases the current exclusion under Section 911 of the U.S. Tax Code; or 3) Eliminates U.S. taxation of foreign earned income and allowances. In this manner, by helping to level the international playing field, Congress would be making a significant contribution to U.S. competitiveness worldwide.

## The Best Sales Reps for U.S. Products & Services are American Employees Working Overseas

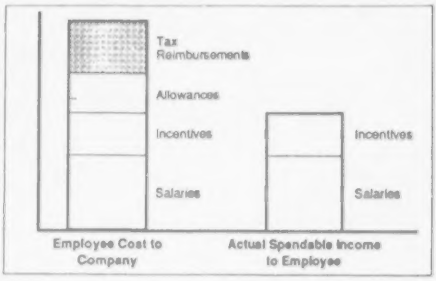
American citizens and companies working overseas specify and design to U.S. standards. These expatriates buy U.S. products and services, thereby increasing our nation's exposure to overseas markets.

A change in American tax policy, allowing U.S. companies to be more competitive internationally, would lead to increased exports and enhanced job opportunities both abroad and domestically.

The U.S. Commerce Department estimates that every billion-dollar increment of U.S. exports creates or sustains at least 22,800 man-years of direct employment. In turn, this results in increased U.S. Government revenue from taxes paid on that income by newly employed individuals and by U.S. companies increasing their exports. Moreover, expenses related to unemployment are reduced by the newly-created jobs.

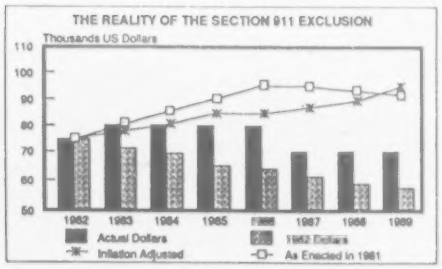
## U.S. Personal Income Taxes Increase Costs for American Companies

Taxation by the U.S. Government of Americans who work abroad translates principally into a payroll cost absorbed by their employers. Americans overseas in decision-making roles within U.S. companies are covered by tax-equalization programs which make Americans more expensive to employ than non-Americans. Simply stated, their employer absorbs taxes -- both foreign and U.S. -- in excess of what these employees would have to pay if they were employed in the United States at their base salary. The employer has to offset the employee's increased income tax on many items which do not provide an incremental increase in the employee's wealth but are nonetheless a necessary aspect of living overseas. Examples of these items are educational assistance, home leave, cost of living allowances, and moving expenses (plus income taxes on the tax reimbursement of these items). An American employer, therefore, views these expenses as a cost of employing the individual -- a payroll cost -- and the additional tax on these items makes Americans more expensive to employ.




Foreign companies hiring non-Americans are not encumbered with such steep payroll costs. *The exclusion of U.S. income tax on compensation earned abroad would make American companies employing Americans cost-competitive with their principal competitors in export trade.* U.S. companies prefer to employ their own nationals to staff their overseas offices because American management is typically an integral part of a successful American company. However, in the face of stiff competition in overseas markets, U.S. firms must currently do one of three things: dilute their American management teams by substituting foreigners for Americans, settle for lower profit margins, or pull out of foreign markets altogether. In terms of America's national interest, none of these three options is acceptable.

## U.S. Income Exclusion Has Not Escalated, Yet Cost to Employers is Increasing




If the exclusion were restored to the amounts originally enacted in 1981, there would at least be parity between inflation and the exclusion.

Source: Internal Revenue Code

# U.S. Taxes Make American Employees Overseas Cost More Than Foreigners

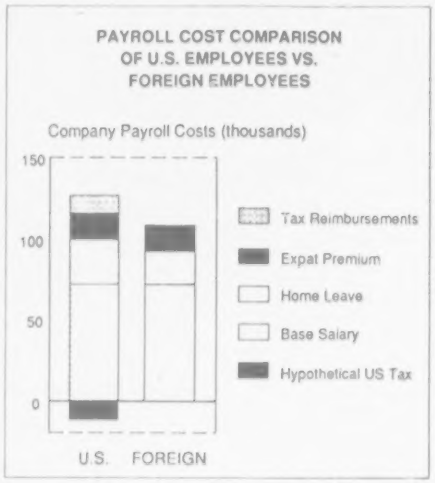
Among the industrialized nations of the world, *only the United States taxes its citizens who work abroad.* The United States undermines its competitiveness by basing taxes on citizenship rather than on residence.

***Comparison of Employees' Taxation***

| *Country* | *Tax on Salary, Bonuses, Benefits and Allowances* |
|---|---|
| **United States** | Yes |
| Japan | No |
| Italy | No |
| France | No |
| Korea | No |
| Germany | No |
| Canada | No |
| Sweden | No |
| United Kingdom | No |

These nations do not tax their citizens on income earned outside their respective countries. Relatively speaking, this makes foreign workers overseas less expensive than U.S. citizens.

By taxing income, including non-cash allowances and other reimbursements necessitated by the overseas assignment, the cost of employing U.S. citizens is considerably more than the cost for comparable foreign employees.




To date, American companies have received approximately 70 percent of Kuwait's contracts for reconstruction. However, many U.S. companies *will have little choice* but to employ non-Americans to remain cost competitive. This suggests that few U.S. workers will benefit from this opportunity in Kuwait at a time when unemployment is on the rise in the United States.

# How to Reduce the Trade Deficit, Create More American Jobs & Increase Tax Revenues

The U.S. Congress is in a unique position to turn this situation around. Congress can help level the international playing field by enacting tax legislation that will enable Americans to compete on more equal footing in overseas markets. This can be accomplished by:

- Adopting the practice of taxing residence, not citizenship;
- Increasing substantially the 911 exclusion;
- Eliminating U.S. tax on foreign earned income and allowances.

## Congress and the American People WIN by:

- Increasing the competitiveness of U.S. companies overseas.
- Placing more U.S. citizens overseas, who in turn purchase U.S. products and services.
- Creating more U.S. jobs.
- Improving America's balance of trade.
- Generating more U.S. tax revenues and broadening our nation's tax base.

## Global Competitiveness

COMPETITIVE TAX TREATMENT

*means*

LOWER COSTS
TO U.S. EMPLOYERS

*which will*

SEND MORE U.S. EMPLOYEES OVERSEAS

*who*

PURCHASE U.S. PRODUCTS

*which will*

REDUCE THE U.S. TRADE DEFICIT,
STIMULATE THE U.S. ECONOMY,
AND
CREATE MORE JOBS IN THE U.S.

*which ultimately*

LOWERS U.S. UNEMPLOYMENT
AND
INCREASES U.S. TAX REVENUES

U.S. Department of Labor

Assistant Secretary for
Congressional and Intergovernmental Affairs
Washington, D.C. 20210

April 11, 1991

The Honorable Norman Sisisky
Chairman
U.S. House of Representatives
Committee on Small Business
Subcommittee on Exports, Tax Policy, and Special Problems
B-363 Rayburn H.O.B.
Washington, D.C. 20515

Dear Chairman Sisisky:

Thank you for your letter of invitation of today to appear before your Subcommittee tomorrow. While the Department tries to be responsive to hearing requests, I regret that prior scheduled commitments prevent us from appearing before your Subcommittee. We would, however, like to provide for the record what the Department is currently advocating relative to Kuwait.

In an effort to be responsive to the thousands of calls from people seeking information on employment opportunities in Kuwait, Secretary Martin has set up a USDOL "hot-line" number (1-800-927-5690). In addition, the Secretary has forwarded to all Congressional offices information on the United States Employment Service and our other efforts.

Secretary Martin has sent two letters - one that she sent to employers and the others to job seekers whose names we received from direct inquiries at the Department.

The Department is encouraging employers seeking to fill job vacancies for the Gulf Region to list those jobs for nationwide recruitment with their states' employment service.

Job vacancies listed with state employment services will be included in the Interstate Job Bank, a nationwide listing of job openings distributed throughout the employment services and shared with selected libraries and college placement offices.

Employers or workers wishing to register with the employment service will be assigned a special code designating their interest in the Persian Gulf. If job openings become available the employment service will help match employers and employees.

It is not clear how many, if any, American job opportunities will materialize for work onsite in the Persian Gulf. However, it is possible that as the Kuwaiti and other governments and private entities decide on future contracts for goods and

services, that they will use American businesses to the maximum extent possible. Even if no jobs materialize in the short term, long range interests in the Gulf may lead to increased U.S. exports to the area which may produce and increase in job opportunities here in the U.S.

In addition, please find enclosed the testimony of Carolyn Golding, Deputy Assistant Secretary for the Employment and Training Administration, who testified on the rebuilding of Kuwait with American workers seeking employment there. She testified before the Senate Small Business Committee on March 12.

If you require further information or assistance, please feel free to call me again.

Sincerely,

Kathleen M. Harrington

Kathleen M. Harrington

Enclosures

UNITED STATES EMPLOYMENT SERVICE

INTERSTATE JOB BANK

The Interstate Job Bank (IJB) is a compendium of job vacancies that employers have listed with the public employment service and for which the States request nationwide publication and recruitment. The job listings are distributed to the more than 1700 local employment service (ES) offices throughout the nation as well as to selected libraries and college placement offices.

During any given week, there are over 20,000 job openings available in the IJB. Typically about a third of the jobs are in the professional and managerial occupations with about 12 percent in machine trades, 14 percent in structural occupations and 19 percent in clerical and sales occupations.

Employers wishing to list a job order in the interstate system can do so through the nearest local or central State ES office. Workers wishing to be referred to these orders do so by visiting the nearest employment service office. Bona fide job requirements can be included on the job order. Referrals to jobs listed on the IJB will be made by State employment service staffs.

Updates of the job listings are done as frequently as possible, in some areas of the country as often as daily and on-line. Depending on the degree of automation in the State, listings and referrals data are transmitted either via magnetic tape, telecommunications, or microfiche.

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

March 7, 1991

Dear Applicant:

As American firms compete for and receive contracts to assist in the reconstruction and rebuilding efforts in the Persian Gulf, we are encouraging them to hire U.S. workers to the maximum extent possible. We are also encouraging them to list their jobs with the public employment service national Interstate Job Bank, in order to ensure the broadest possible exposure for potential U.S. applicants.

If you are interested in employment in the Gulf, you should call or go to your nearest office of the public employment service. These offices are listed in the telephone directory under the State government listings, usually under employment service, job service or State department of labor. The local employment service office will take an application for employment and code it for employment in the Persian Gulf. When employers list jobs for which you are qualified, either the employment service or the employer will contact you.

While you are at the local employment service, you may wish to ask about other employment opportunities suitable for your work and training skills.

Sincerely,

Lynn Martin

LYNN MARTIN

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

March 7, 1991

Dear Employer:

The end of the Persian Gulf war will bring a number of opportunities in the business arena as United States firms are called on to assist in the reconstruction of Kuwait and other activities in the Gulf. I want to encourage U.S. firms who are engaged in these activities to hire U.S. workers to the maximum extent possible.

Firms recruiting U.S. workers have available a nationwide network for listing job openings with the public employment service. Once listed, these jobs will be identified for Persian Gulf employment and will be listed on the national Interstate Job Bank and made available to all 1700 offices of the employment service across the country. State employment service agencies will initially screen applicants for these jobs prior to referring them to your firm. This service is free of charge. Any of the 1700 offices of the employment service can receive job openings, specially code them for employment in the Gulf and place them on the national system. These offices are listed in the telephone directory under the State listings usually under Employment Service, Job Service, or State Department of Labor. Listing jobs in this manner will ensure the broadest national exposure for potential U.S. applicants for your firm's jobs.

I encourage you to use our nationwide recruiting system to find qualified U.S. workers for Persian Gulf reconstruction efforts and for other jobs as well.

Sincerely,

Lynn Martin

LYNN MARTIN

**STATEMENT OF CAROLYN M. GOLDING**
**DEPUTY ASSISTANT SECRETARY**
**EMPLOYMENT AND TRAINING ADMINISTRATION**
**U.S. DEPARTMENT OF LABOR**
**BEFORE THE**
**COMMITTEE ON SMALL BUSINESS**
**U.S. SENATE**

**March 12, 1991**

Mr. Chairman and Members of the Committee:

I am pleased to appear before you today to discuss the Department of Labor's efforts to help match American businesses that become involved in the rebuilding of Kuwait with American workers seeking employment there.

The end of the Persian Gulf war has the potential for bringing considerable commercial opportunities to U.S. firms as they are called upon to assist in the reconstruction of that war-torn region of the world.

At this early stage of the rebuilding effort, we have little information about the kinds of U.S. firms that will become involved or their numbers, and thus little information about the kinds and numbers of workers that will be required. Until we know that, we cannot forecast what job opportunities there may be for American workers.

We are, however, in agreement with this Committee's assessment that it is in our national interest to promote actively the involvement of American business in the Persian Gulf reconstruction effort. We believe the most critical contribution the Department of Labor can made to this effort will be to assist U.S. firms--large as well as small--in finding qualified and

available American workers for their Middle East projects.

To this end, we have taken two steps. First, we have instructed our Employment Security system--that is our nationwide network of 1,700 local public Employment Service offices--to set up a special system for identifying all workers who apply and register for jobs with potential Persian Gulf contractors, so that these applicants can be matched quickly and efficiently with jobs as they become available. Until employers tell us what jobs they want to fill with U.S. workers, that is all we can do for job applicants.

Second, to easily identify jobs for employment in the Persian Gulf region, we have established a new code for our national computerized Interstate Job Bank. Firms recruiting U.S. workers can use the nationwide network to list openings. The listings are made available to all 1,700 local Employment Service offices, and employers can place job orders into the system at any of these offices where they will be specially coded for easy identification.

Before referring qualified applicants to employers, Employment Service staff will initially screen job applicants from the pool of workers who have indicated their desire for Gulf employment. As required by law, qualified veterans will receive priority consideration. All these services are free to all employers and workers.

The Department of Labor has prepared separate letters--one for job applicants and one for employers--spelling out in greater

detail how they can access these services. These letters are to be included with other materials being distributed by the Gulf Reconstruction Center, the information unit for American businesses interested in Gulf reconstruction that is being operated by the Department of Commerce.

In summary, we are committed to helping U.S. firms which compete for and receive contracts to assist in the reconstruction and rebuilding efforts in the Persian Gulf. As we do so, we are encouraging these firms to list their jobs with the public Employment Service and to hire U.S. workers to the maximum extent possible.

Mr. Chairman and Members of the Committee, this concludes my prepared statement. At this time I would be pleased to answer any questions.